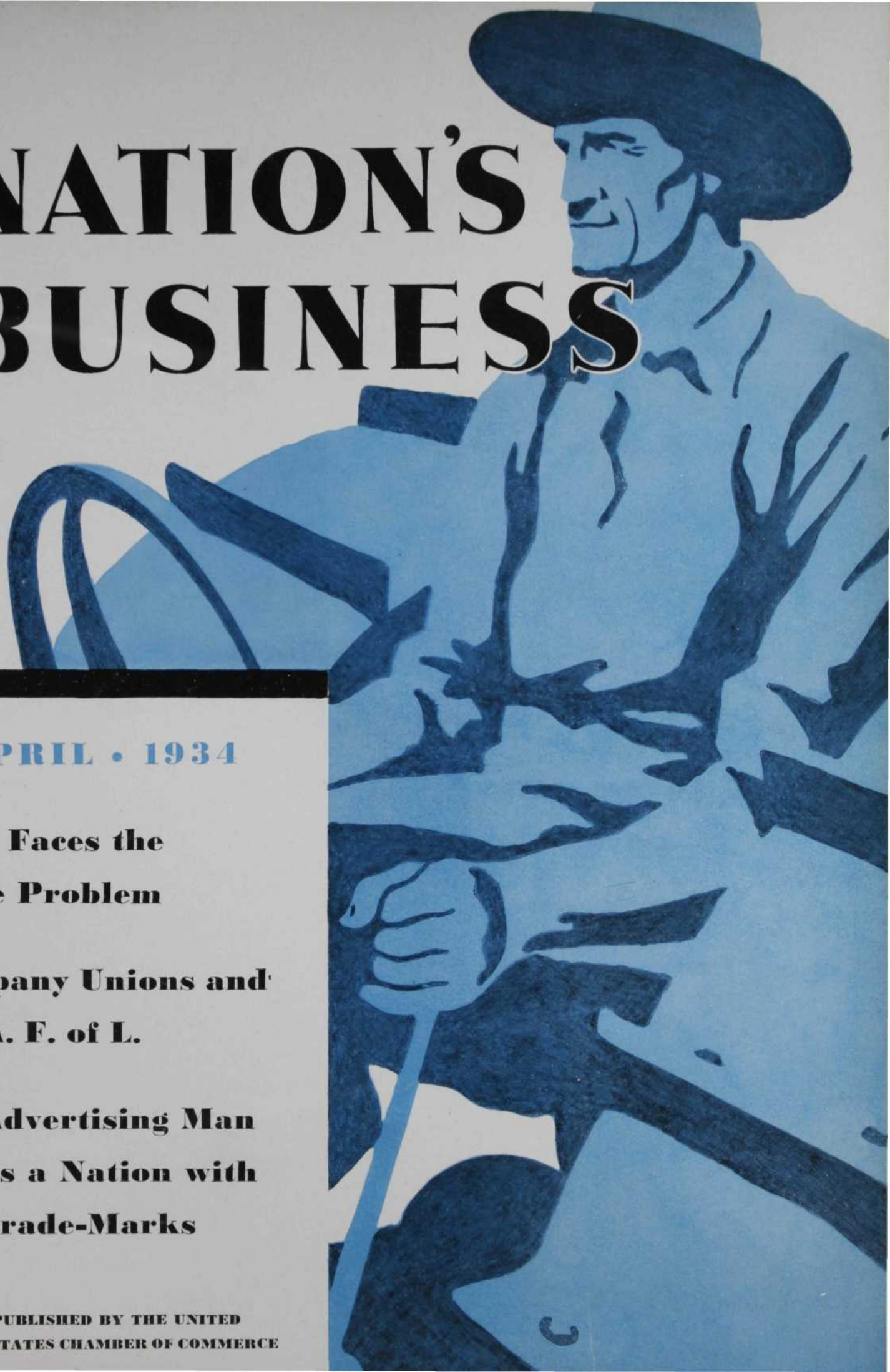
NATION'S BUSINESS



APRIL • 1934

NRA Faces the Price Problem

★

Company Unions and the A. F. of L.

★

An Advertising Man Views a Nation with No Trade-Marks

PUBLISHED BY THE UNITED STATES CHAMBER OF COMMERCE



FOR quick ACTION . . . for business-building, money-saving RESULTS . . . *use the telephone*, say America's industrial leaders.

The Ford Motor Company is typical of the thousands of concerns, both large and small, which depend on Long Distance every hour of every day to keep wheels moving.

Every day brings profitable results

"The administration of our business would be throttled without free use of the telephone," declares an executive. "From the standpoint of merchandising, when we want to get reactions to programs the only satisfactory way is *personal conversation* . . . by telephone. In a few minutes we can cover the entire country, talk with everyone we wish, and have the complete answers to every question that may arise.

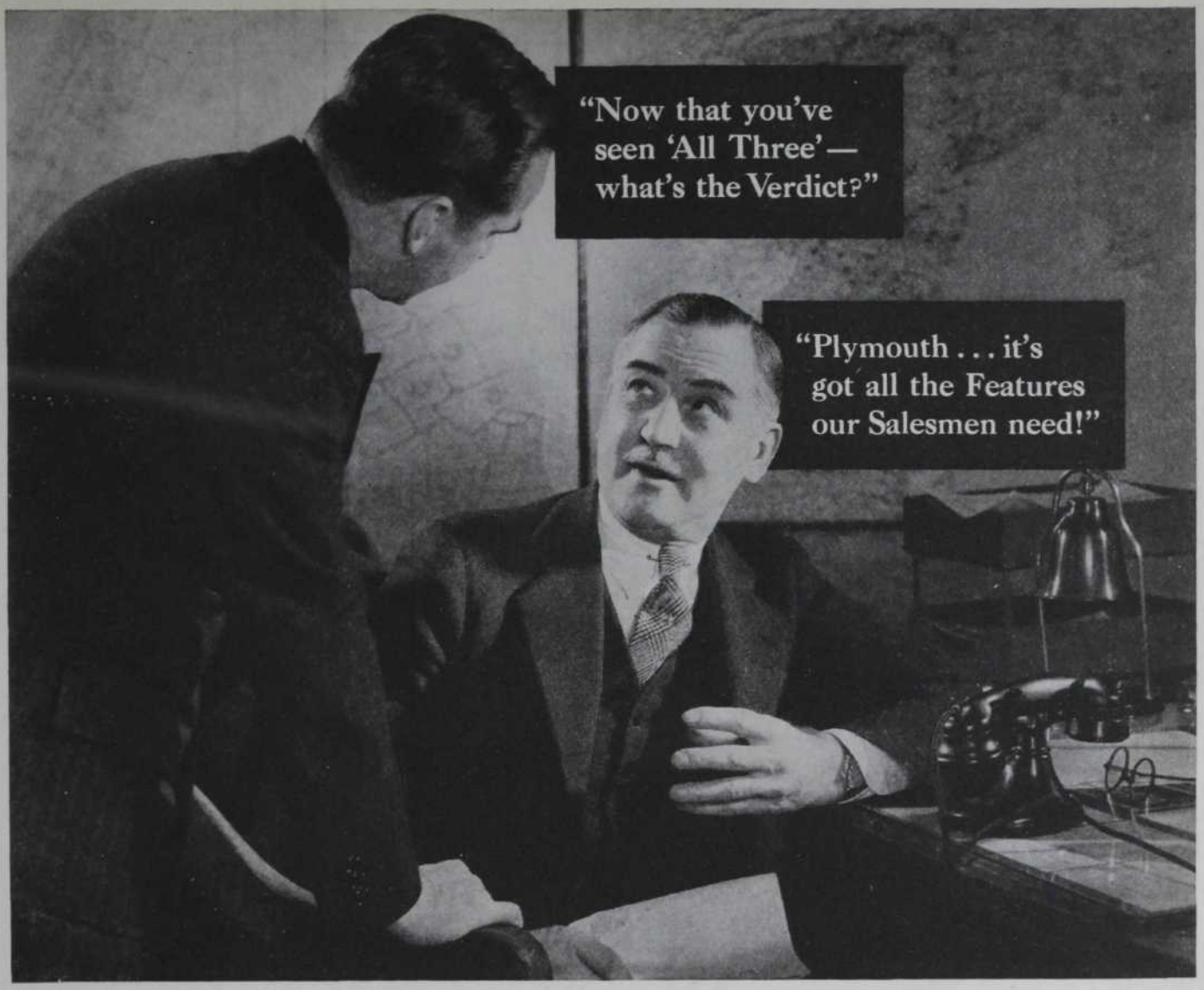
"When we're speeding up production, the one best way to get quick action from our suppliers is to get them on the telephone and ask for it. Then there are no misunderstandings and no costly delays. The same holds true for all our operations.

"No one in our organization is any farther away than the telephone on my desk. If something important must go through and we get behind it by telephone, *it goes through*, that's all."

Many companies say that increasing their use of Long Distance brings sharp reductions in other costs, as well as stimulating their business generally. Your local Bell Company will gladly show how you can get best results by using your telephone on an *organized* basis. There is no obligation; simply call the telephone office and ask to have a representative visit you at your convenience.

TYPICAL STATION-TO-STATION RATES

From	*To*	*Daytime*	*7 P. M.*	*8:30 P. M.*
Boston	Portland, Me.	$.75	$.55	$.40
Detroit	New York	2.05	1.75	1.15
Denver	Atlanta	4.50	3.75	2.50
San Francisco	St. Louis	6.50	5.25	3.75



Only Plymouth *in the low-price field* has all these Vital Features!

PURCHASING AGENTS get paid for being RIGHT! They can't buy on sentiment or habit. "Look at All Three" is language they understand!

Why should you be willing to pay *more* for *any* car that gives you *much less* than Plymouth offers? Consider the following facts about Plymouth carefully.

Safety-Steel Bodies . . . steel reinforced with steel . . . that's *one* big, vital safety factor. Hydraulic Brakes . . . never need equalizing . . . stop more surely, more quickly. That's the other vital safety factor.

Yet Plymouth *alone*, in the lowest-price field, gives you *both* of these vital features. And Plymouth gives you Individual Wheel Springing for less than any other car offering anything similar.

These—and many other Plymouth features, such as patented Floating Power engine mountings and Duplate Safety Plate Glass throughout for a few dollars extra (only $10 on the De Luxe Sedan)—such features as these have made Plymouth America's most "up-and-coming" low-priced car.

Any Dodge, De Soto or Chrysler dealer will demonstrate Plymouth.



• • •

LOOK AT THESE PRICES! Plymouth prices start at $495; De Luxe Plymouth models at $575 f.o.b. factory, Detroit, Mich. Prices are subject to change without notice.

IT'S THE BEST ENGINEERED LOW-PRICED CAR!

NEW PLYMOUTH $495 AND UP F. O. B. FACTORY DETROIT

Nation's Business is published on the 30th of every month by the Chamber of Commerce of the United States. Publication Office, Washington, D. C. Editorial, Advertising and Circulation Offices, 1615 H Street, N. W. Washington, D. C. Subscription price $3.00 one year; $7.50 three years; 25 cents a copy. Entered as second-class matter March 20, 1920 at the Post Office at Washington, D. C., additional entry at Greenwich, Conn., under the Act of March 3, 1879.



AGAIN IN DEMAND···THE WORLD OVER

In the last eight months, more and more requests for BUDWEISER have been received from every civilized country in the world.... In the fourteen years that American beers were off the market, these foreign countries still had their own good beer. Yet, after fourteen years, they again single out BUDWEISER among American brews, because it has an unforgettable personality — identified with the fine art of living the world over.... The biggest-selling bottled beer in history and the demand for BUDWEISER quality built the world's largest brewery..... Order by the case for your home.



For those who make living a fine art...

Budweiser

KING OF BOTTLED BEER

ANHEUSER-BUSCH • • • SAINT LOUIS



Your office can so easily be made cool and comfortable this summer by G-E Air Conditioning

THERE are business men today whose private offices are sumptuous in their luxury.

Yet when hot weather comes these men sit there and swelter. This is foolish and unnecessary.

For a long time the General Electric Company has devoted its attention to air conditioning. Not just for private offices, but also for retail shops, restaurants, homes — one room or an entire building.

The aim was to produce simple, practical equipment that would work under varying conditions and stand up. Equipment that would be easy to install, and not too expensive to buy. That aim has now been achieved by G-E engineers.

Today, in your place of business, you can have the kind of air that people seek when they go away to the mountains or seashore. And you can have it all year-round. Think what that means to your comfort, your health, your efficiency!

Whatever your individual needs, General Electric offers equipment to meet them. You can have summer cooling alone, if you wish. You can have winter air conditioning alone, by which the air is warmed, filtered, humidified and circulated. Or you can have complete year-round air conditioning—for one room or an entire office, restaurant, home. Complete air conditioning gives you air that is clean, gently circulated, always at the temperature that you wish, with humidity increased in winter and reduced in summer.

G-E Air Conditioning Dealers are especially qualified to see that every installation they make is properly engineered for the work it must do. Trained engineers supervise every job, thus insuring your satisfaction.

For complete information, visit the G-E Air Conditioning Dealer in your town, or mail the coupon today.

GENERAL ELECTRIC AIR CONDITIONING

FOR STORES—HOMES—OFFICES—RESTAURANTS

General Electric Company N. B. 4
Air Conditioning Department
570 Lexington Avenue, New York, N. Y.

Send me, FREE, information about G-E Air Conditioning for (check) Summer..... Year-Round..... Office..... Store..... Home.....

Name.....

Street & No......

City & State.....

When writing to General Electric Company *please mention Nation's Business*



Telling the truth about vegetables...

THE truth is that canned vegetables are not only *garden fresh*—prepared and hermetically sealed within a matter of hours of picking—but lose virtually none of their vitamin value after they are sealed in the can.

Continental, through dramatic national advertising, is telling the truth about canned vegetables to the public. And through laboratory research it is constantly developing improvements in canning methods and equipment for its customers.

This is just another example of Continental cooperation. It illustrates to what extent that cooperation will go when warranted.

Continental service, design and research, extends to every industry whose product is or might be packed in cans. We invite consultation.

CONTINENTAL CAN COMPANY

NEW YORK · CHICAGO · SAN FRANCISCO

When writing to Continental Can Company *please mention Nation's Business*



Through the EDITOR'S SPECS

"Horse and buggy" government

WITH the tide of events in Washington dominating the news, it is understandable that changes in local government should be obscured. The fact that states are overhauling their administrative machinery is attested by the efforts of Michigan, New York, New Jersey, and Kentucky to modernize a "horse and buggy" management of public affairs. These programs incline Robert M. Paige, secretary of the Government Research Association, to the opinion that 1934 will be a year of progress in the reform of local government.

Governor Comstock of Michigan proposes a new state constitution, and the consolidation of school districts and other local units.

Governmental reorganization is a live issue in New York state. A bill has been introduced into the legislature to establish new forms of town and county government. Another bill would permit counties to draft their own charters, making possible careful adaptation to local needs.

New Jersey's recently created state Local Planning Commission is studying consolidation of local governments and preparing a report suggesting remedies for duplication and overlapping of governmental functions. The Commission has named sub-committees for each county of the state. An effort will be made to present a series of definite recommendations to the legislature before the present session closes.

Kentucky is considering grouping its 78 separate state commissions and boards into 18 departments. The reorganization plan would give Kentucky the cabinet form of government, which has already been adopted by New York, Massachusetts, Virginia and other states.

Pressure on public budgets is an unhappy commonplace in periods of severe depression. "Relief" is on every tongue, and its meaning is as broad as the gulf between the spendthrifts and the economizers. In the easy going years of prosperity, the question

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SHREWD building operators don't wait for tenants to rise up in wrath —they are finding ways and means to keep them happy and satisfied. Renewals are signed because service is good—not bad.

Annoying washroom complaints can be eliminated, quickly and economically, with A.P.W. Onliwon Towel Service. For Onliwon Towels give tenants what they want—a quicker, better dry. Hygienic cabinets serve Onliwon Towels double-folded—free from dust and the germs that often result from casual handling. Double-folded means they are more absorbent and effective. Onliwon-equipped washrooms won't get littered with torn paper. Wasted tissue that is often really costing the price of installing Onliwon Towels. In such cases, you are really paying for a towel service and not getting it.

Besides, Onliwon Toilet Cabinets and Tissue will improve the appearance of your washroom, too. Serving only two sheets at a time, they prevent waste and theft. A.P.W. Onliwon Washroom Service is a guarantee of satisfaction for tenants and economy for building operators. Order today.

A.P.W.

NRA

ONLIWON SANITARY WASHROOM SERVICE

A.P.W. Paper Co., Albany, N. Y.

Representatives in leading cities

When writing to A. P. W. Paper Co. *please mention Nation's Business*

of the effectiveness of government measured in terms of the taxpayer's dollar is largely academic. Only when economic stringency grips the nation does the electorate become aware of the plurality of public administrations and taxing authorities. What reorganization can do toward simplification is being suggested on a state wide scale.

Houses for the masses

A HOUSE selling for $3,000 or less will be the construction industry's most important product through the next ten years. So says Bror G. Dahlberg of the Celotex Company, Chicago.

"There is a thirty-billion-dollar market for such houses among the middle third of the population—the ten million families with annual incomes between $1,200 and $2,000. All these people want is a good house at $3,000, plus a fifteen year payment plan."

As for the people with incomes about $2,000 and below $1,200, "a three-billion-dollar housing shortage" has been accumulated by the higher income group, and another twelve billions are needed, he believes, to provide houses for families with incomes in the lower brackets—an estimated total of forty-five billions required to meet the need for housing.

Business is no stranger to the feeling that natural markets have dried up. What is meant, of course, is that buyers are not inclined or able to take the wares they are offered at the prices they are asked to pay. More hospitality is in order for the idea that consumers have minds of their own, even though specification of their wants is not always in evidence.

Individualism under cover

HOWEVER gladly Russians may accept uniformity in their politics, ideas of comradeship seem to be moving toward distinction in clothing. "We want to dress attractively," says *Komsomoloskaya Pravda*, youth organ. It charges the state clothing trust with "ignoring the requirements of the people for stylish dress." For example, it asserts that after a recent showing of new styles in Moscow, several models which had received enthusiastic approval of scores of women were rejected by the trust in favor of old models less appealing, but easier to make.

If a moral were needed, it would be easy to point. Distinctive clothing for the body is a natural craving. Nor is evidence lacking that this appetite makes a grudging sacrifice to assure success of equalitarian doctrine. Authority can declare that the apparel of the physical man be stamped with a mass mold. It cannot prevent the regimented mind from appraising worldly goods by the vagaries of individual attractions and antipathies. "Taste," said Jefferson, "cannot be controlled by law."

Farm relief on wheels

AN ASPECT of farm relief that seldom gets notice outside the technical press issues from the use of corn products in industrial processes. Automobile manufacturing for illustration, as Chester G. Abbott, general sales manager of the Hudson Motor Car Manufacturing Company, makes the point.

A major portion of the lacquer and lacquer thinner used in the painting of this

FACE FACTS! LEARN THE TRUTH ABOUT TRUCK TIRES



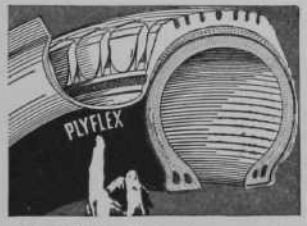
GOODRICH AMAZES TRUCK OWNERS WITH TRIPLE PROTECTION AT "FAILURE ZONE"

No one has ever told you the *whole truth* about truck tires. No one has mentioned the commonest cause of failures because no one had a remedy.

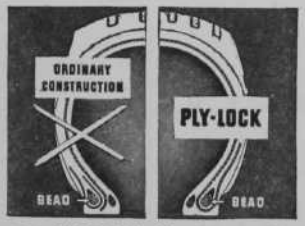
Do you know that the sidewall is the weakest section of most truck or bus tires? Do you know that of all tires taken out of service prematurely 80 per cent are damaged in the "Failure Zone?" Sidewall breaks and rim breaks take a toll of thousands and thousands of tires every month. Goodrich dares to face these facts. And Goodrich has done what was said couldn't be done—made the sidewall as strong as the rest of the tire!

GET TRIPLE PROTECTION FREE

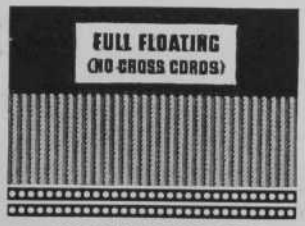
You can now get free insurance against premature blow-outs and sidewall breaks. Greater safety added to the safest tire ever built. That is what Triple Protection at the "Failure Zone" means. And here is the simple **1-2-3** story of this exclusive Goodrich million-dollar development.



1 PLYFLEX—Plyflex is a *new* tough, sturdy rubber material. Every Silvertown truck tire has a layer of Plyflex protecting the sidewall. It bears the brunt of the strains caused by the tire flexing several hundred times a minute. It distributes the stresses throughout the carcass. It prevents local weakness.



2 PLY-LOCK—The short trouble-causing plies in ordinary tires often tear loose just above the bead. A direct result of stresses concentrating at this one weak point. In Silvertowns the plies are "locked" about the beads—anchored in place. The tapered ply ends are floated in rubber. This is PLY-LOCK.



3 FULL-FLOATING CORD—100% Floated-in-rubber cord fabric is used in the new Silvertowns. Each cord is surrounded by rubber. With ordinary cross-woven fabric, when cords touch each other they rub—get hot—break. In Silvertowns there are no cross cords. No friction. Fabric *wears longer.*

FREE! 48-page Safety Manual. Tells how to cut accidents—save money—build good will for your fleet. How to get free Silvertown Safety Awards for your drivers. Write Dept. T-81, The B. F. Goodrich Rubber Co., Akron, O.



HERE'S the greatest development in truck tire history in ten years. Don't take chances. One "Failure Zone" break may cost you ten, twenty, thirty dollars or more. See your Goodrich truck tire dealer today. Have him show you the new tire that costs no more than any standard truck tire. Ask him to show you the convincing demonstration of Triple Protection.

Goodrich *Triple Protected* Silvertowns
FOR TRUCKS AND BUSES



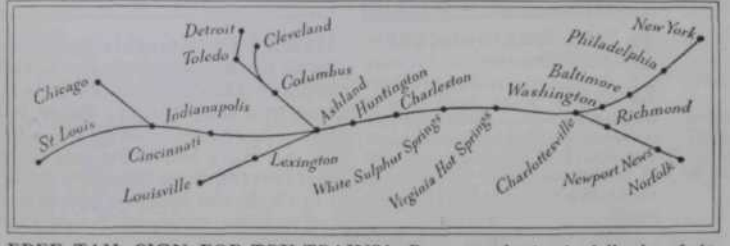
MARY Had A Little Lamb
Its Fleece Was White As Snow
The Only Place It STAYED THAT WAY
Was On The C and O

☆ ☆ ☆

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FREE TAIL SIGN FOR TOY TRAINS! *Exact reproduction in full color of sign carried on observation platform of The George Washington. Send 3¢ stamp to cover the cost of mailing—511 Transportation Building, Washington, D. C.*

CHESAPEAKE and OHIO

When making reservations on the C. & O. please mention Nation's Business

year's Terraplanes and Hudsons was butanol, or butyl alcohol, and also butyl acetate, which is made from butyl alcohol, as elementary ingredients. Butyl alcohol is derived wholly from corn. The two manufacturing plants in which butyl alcohol for ultimate use in Hudson-built cars is distilled are in the heart of the western cornbelt and depend entirely on American-grown corn for their supplies.

What this market means is indicated in the company's estimate that the year's consumption will amount to 500,000 bushels of corn. The more the contribution of the industrial chemists are pondered, the less convincing become the expedient compromises with the bounty of nature.

Radio goes democratic

THE National Broadcasting Company, in an announcement to the press, reports that public officials have made "an unprecedented use of radio" during the past year. President Roosevelt spoke 26 times, Secretary Wallace 28, Postmaster General Farley 19, Secretary Ickes 16. In fact, during the year there were 111 addresses by members of the Cabinet and, in addition, 13 Assistant Secretaries used the radio.

President Hoover made 13 radio addresses in his first year and the late President Coolidge made 37 broadcasts during his entire seven years in office.

Paying through the nose

SPEAKING of taxes, and who is not? and who pays them; and who is? Every person who uses a telephone in the United States pays an average tax of $6 a year. In some states it reaches $10. This includes property tax, franchise tax, gross receipts tax, special franchise tax, Federal tax on net income, capital stock tax, tax on checks, and does not include the tax on long distance calls.

This is only one of the many invisible taxes which are increasing. Some day the average citizen will get at the truth of the matter as to where twenty billion dollars of governmental expenses come from and will become excited about it—or will he?

Tips for travelers

THE jaded sophisticate who wished that life were interesting enough to make wishing worth while again might have found "The Tourists' Almanac" just the stimulant he needed. Once known as "The Almanack of Attractions Across the Sea," this comprehensive compendium of spectacular events throughout the world, compiled by the Institute of Foreign Travel, New York, at once suggests the diversification of the businesses which serve the tourist. As for the events themselves, even the bare names bait the fancy—pageants, saints' days, folk plays, olympiads, mardi gras, tattoos, regattas, gymkhanas, rodeos, cavalcades, festivals, expositions, masquerades, and so on, month by month, nation by nation. The very thought of helping to celebrate a sizable jubilee raises its own exhilarating question to the reality of the depression.

High finance on the Hill

CONGRESSMAN Edward A. Kenney, of New Jersey has introduced a bill to set up a National Lottery which he figures will net the government a billion dollars a year.

There was a time when we regarded government lotteries for revenue as conducted by our South American neighbors with a lofty disdain.

Have we fallen so low as to consider this last resort of the tax collector?

Death, taxes, and dignity

THE proposal to establish a "funeral home" in New York City reveals a new relationship between the dependable certainties of death and taxes. From the supporting argument it appears that the "funeral authority" would erect a $900,000 building on land valued at more than $10 a square foot and would pay the city $20,000 a year in taxes. Members of the "authority"—a word of larger and larger meaning—would serve without pay, and taxing the project, it is said, would spike any objection that the plan would put a new burden on the taxpayer.

With the national interest focused on recovery, a public emphasis on the economic aspects of burial might seem unthinkably discordant were it not for the persistence of the "overhead" in good times and bad. The trouble is one to which business is no stranger—a large number of units in the field and a small number able to care for the available custom.

In New York, as one mortician reports the situation, there are two thousand funeral establishments and a death rate of 75,000 persons a year. One hundred establishments, he says, would be able to handle all of these cases. "If the remaining nineteen hundred were eliminated, the overhead saving would be $9,500,000," and "the decrease in overhead expenses in each case would be $127 a funeral." As the proponents of the funeral home view the possibilities, that figure could be brought down to $65.

Public funeral establishments in foreign cities have set something of a municipal fashion, Dresden and Vienna in particular. Preservation of dignity at a lower cost is a prime consideration.

The American supporters represent that the stigma now connected with burial by any public agency would be removed. There can be no dissent from the levelling effects of this kind of democracy, of course. But human nature being what it is, one man's dignity might well turn out to be another man's funeral.

Hoops around the world

PHILIP REYMAN operates a hoop factory at Mount Carmel, Illinois, as did his father before him. The hoops are used by makers of barrels and kegs. American and foreign coopers constitute the market, with Scotland the largest taker abroad. Repeal has helped this business, of course. The point is that it has survived good times and bad, not because it was big and powerful, not because it was small and flexible, but simply by reason of the excellence of its product through fifty years. And nowadays the world doesn't necessarily beat a path to the door of quality. It can compliment goodness with all the facilities of modern communication. And like as not, the tribute of a long-distance order is as welcome to Mr. Reyman as any pilgrim come to do him honor.

In December he was curious . . . but today he's *insistent*



"Every Producer shall use an accounting system which conforms to the principles of and is at least as detailed and complete as the uniform and standard method of costing to be formulated or approved by the Code Authority, with such variations therefrom as may be required by the individual conditions affecting any Producer or group of Producers and as may be approved by the Code Authority."

The above paragraph or one of a similar nature has been an important part of the majority of N. R. A. Codes approved to date. Future codes will undoubtedly carry a paragraph covering methods of costing.

It is only good business that you know your costs. But today you must be in position to *prove them* to your code authorities with substantiating statistics. You can with Powers punched card methods . . . and save money in routine accounting . . . and not invest one cent of capital for machines or equipment.

Industrial and Commercial Enterprises, Railroads and Insurance Companies, Banks, Chain Stores, Public Utilities, Federal, State and Municipal Governments use Powers Methods.

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ACCOUNTING MACHINES
BUFFALO, NEW YORK

ANOTHER PRODUCT OF REMINGTON RAND

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Who'll help the Nation *just for a change!*

IT HAS been the fashion and perhaps the necessity in recent years for industry to clamor for help from the government.

Now that definite signs of revival in business are seen, it seems that turn-about would be only fair play.

Obviously the best way industry can help the nation is to help itself—to get on its feet, and stay there!

The simplest means to do that is for industry to intensify its efforts now to improve its sales, its revenues, its security.

That is what we have been doing here at Goodyear, not only lately but steadily through the past three or four difficult years.

We have not been content with a sterile conservation, but have pressed determinedly forward to better our products, our values, our service.

In the lean times we have brought to the market such deserving bids for business as a new All-Weather Tire, new Pathfinder, new Speedway—not to mention advancements in truck tires, bus tires and many other items.

How well results support that spirit is shown in the new AIRWHEEL*, for example, of which Goodyear is now building *more than five times as many* as are makers of all other super-soft tires combined!

OUR CREED

"We are going to keep right on making the best tire on the market, we are going to keep right on making our franchise the most desirable any tire dealer can obtain, we are going to keep right on paying the highest wages in the industry, we are going to keep right on with our policy of fair and honest dealings with the public. This policy brought us leadership in the industry and this policy will keep us in that position no matter how hard blows the storm of competition."

P. W. Litchfield

PRESIDENT,
THE GOODYEAR TIRE & RUBBER COMPANY, INC.



More people ride on Goodyear Tires than on any other kind

*AIRWHEEL *is Goodyear's trade-mark, registered in the U. S. A. and throughout the world, and is used to denote that Goodyear is the exclusive maker of* AIRWHEEL *Tires*

NATION'S BUSINESS

A MAGAZINE FOR BUSINESS MEN

Keep An Eye On Your Premises

SPRING is the hallowed season for refreshing the spirit. It is evidence that benign Nature is still on the job. Men go forward in this season in the confidence that there is a dependable order of things.

But it is too much to say that the nation is free from doubts and worries. In one direction the zeal for reform has developed an attitude of despair, a destruction of faith in American institutions. The people are daily advised that the old order under which our nation grew great has failed.

There is sore need of qualification. Only yesterday, it seems, the genius of American business was the wonder of the world. Commissions, private and official, came to our shores to study and report. It might be well to recall the substance of their findings as a sort of reminder:

> With seven per cent of the world's people, the United States has more purchasing power than all Europe combined. This little group has created and owns more than half the world's wealth. From six per cent of the world's acreage they harvest more than half the world's foodstuffs. Sixty per cent of the minerals are extracted in America. Half the communication facilities, nearly half the railways and electrical energy have been developed and are in use here. Individual transportation is triumphantly interpreted in the production of 92 per cent of the automobile output, which is operated on 600,000 miles of paved highways.
>
> This seven per cent maintains a standard of living which consumes half the world's coffee, half of its tin, half of its rubber, one-fourth of its sugar, three-fourths of its silk, one-third of its coal, two-thirds of its crude petroleum.
>
> In 1933 more than three billion dollars were spent on education, an amount that topped the total spent by all other countries. Nowhere are there such luxurious buildings, such a wealth of educational facilities. European schools enroll only a small percentage of the number of children attending American schools.
>
> Real and practical independence for women: The "old order" provided gainful occupations for 11,000,000 women, assimilating 7,000,000 since 1900.
>
> The American Plan produced three times as much wealth as the whole world had been able to produce up to 1776, and distributed it so widely that the condition of the average man became a magnet to attract all other peoples. So voluminous was the response that the United States was forced to set up immigration barriers to prevent a flood of foreign nationals. What the common man was able to do for himself in this land of opportunity is eloquently suggested by the millions of depositors in savings banks and building and loan associations, by the 65,000,000 protected with life insurance, by the 15,000,000 security holders, by the 60 per cent of farms unencumbered, and the 55 per cent of freeholders of urban homes.

Excesses and abuses there were, naturally. No one condones them. But perspective should be preserved if sound premises are to be arrived at, only upon which a sound program may be formed. There are excesses of speech today just as deplorable. We are told that a new social structure must be built on "the ruins of the past"; that "the demonstrated failure of the old order leaves no alternative but a new one"; that "the profit system must go." "The vomit of capitalism" is a shocking phrase; and "the damnable capitalist system" was a text at the recent annual convention of the National Education Association. A federal council of churches sees a new economic structure as the only way out.

The violent excesses of speech include the well-known "90 per cent of the wealth is owned by two per cent of the citizens"; machines destroy jobs; manufacturing is honeycombed with sweatshops and exploitation of children; bankers are corrupt; private power and light services are bleeding the public white; middlemen, transportation men, oil, coal and timber operators, exchanges, communications, have been actuated by non-social motives and are answerable for the collapse of prosperity.

A more temperate America will moderate the confusing judgments of the present by a sane evaluation of the past, and only in this way can the American Plan be maintained and improved, and again be put to work.

Two texts for temperate thought: Prove all things, hold fast that which is good; and zeal without knowledge is a runaway horse.

Merle Thorpe



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Price Control Under the Codes

By HERBERT COREY

PRICE control features of the codes have been the topic of continuous debate since the NRA began operations. That debate has ranged from the extreme left to the farthest right. On the one hand are those who maintain that, without some form of price control, the NRA will be hampered in its attempt to regulate American industry. On the other are those who assert that price control unreasonably limits the liberty of the individual; must result in the setting up of a government bureau charged with the duty of policing industry; will, in many instances, raise prices to the consumer and is an apt instrument for creating monopolies.

Dominant opinion within NRA definitely favors giving that body power to control prices or price trends when it seems desirable. This has never been controverted.

The statement is further supported by two significant facts developed in the course of Washington conferences at which the NRA chiefs listened to criticisms and suggestions from representatives of business. In his key speech Gen. Hugh S. Johnson listed 12 points at which codes need immediate attention. In five of the 12 he specifically accepts the principle of price control, he relates price control to costs and he notes the need of a better method for compelling industry to obey. The five emphasized paragraphs are:

"A more uniform and equitable rule of national price fixing in those cases where it is necessary. . . ."

"Further insurance against increase of price faster and further than increase of purchasing power. . . ."

"A more effective rule on costs to prevent sales below costs of production. . . ."

"The inclusion in codes of adequate buying as well as selling provisions to guard against oppression of small business. . . ."

"A much improved method for obtaining prompt and effective compliance."

General Johnson's position toward price control by the NRA was reinforced by Deputy Administrator A. D. Whiteside while acting as chairman of group hearings at the conferences. At no time did he suggest that NRA might abandon the principle of price control. Critics were invited to reply to two questions:

"Do you object to the price-control provision in the code?

"Or is your objection directed to the manner in which it has been administered?"

General Johnson suggested that, in the code conferences, "opinion might be taken as to how many of these improvements we can put into effect by general presidential rulings, leaving to each industry the opportunity to show why the application of such rulings cannot, or ought not to, be applied to it, or to what extent such rulings ought to be modified or stayed."

THE success or failure of NRA depends, many critics believe, on its ability to control prices. So far nine methods have been tried. None is satisfactory. The complexity of price fixing and the need of it are explained in this article

At no time has he suggested that the price-control feature of the codes be abandoned, but only that it might be lifted or modified in accordance with business conditions or the conduct of individuals. This position of the code authority has the greater interest from the fact that price control has been attempted by governments at intervals ever since King Hamurabi wrote his code in Babylon and in not one instance has the attempt had more than a fleeting success except in wartime.

Ninety per cent of American industry is now operating under the 275 approved codes. Three hundred and sixty-three other codes are to be dealt with as rapidly as possible. When the work of codification is complete it will cover everything the richest and most extravagant nation in the world eats or drinks or wears or sleeps under or hides in or listens to or rides upon. The attempt to control the prices of all these articles differs from all previous similar attempts because the NRA proposes to control prices downward as well as upward. The methods of price control may be roughly tabled as follows:

Direct fixing of prices in the approved codes. . . .

Direct fixing of prices by the code authority. . . .

Regulation of production of raw materials. . . .

Attachment of prices to basic costs at definite ratios. . . .

"Open price" posting as of a present or a future date. . . .

Addition of actual extra costs of labor, merchandise or taxes to price as of a given date. . . .

Adjustment by arbitration of prices fixed in existing contract. . . .

"A fair market price," as in bituminous coal industry, to be ascertained by reference to prices of competing fuels. . . .

Fixing of prices by agreement within industry subject to veto by the governmental authority. . . .

Objections to these methods of price control have been unending. From 500 to 3,000 or more letters have been received by the NRA divisions each day, and a large proportion of them refer to price control. This is only natural, because the control of prices is, in fact, the pivot on which the NRA and its co-operator, the AAA, are revolving. Without that control, the administrators tacitly or explicitly admit they are helpless and General Johnson has stated that, without the control of production,

no organization or government has ever been able to control prices. It should not be understood that the greater part of the daily correspondence of the various divisions of the NRA is in protest. Most of the letter writers have commented on or inquired into the methods of administration. Few of them have been given much satisfaction. Johnson and his aides have been trying to work out the administrative details and admit frankly that they have not had the success they hoped for. The minor figures in the organization have been warned against too definite commitment.

"We are under orders to stall," some of them said.

Comparatively few of the complaints have been directed against the principle of price control. Industry has apparently been willing to experiment with it, in the hope that some of the costly errors of the past may be avoided in the future. Every phase of price control in actual operation has been attacked, however, from the direct fixing of prices by code to the distant threat of veto by code authority. A few industries have been apparently satisfied with their codes and with the administration of the codes.

The discord existing between buyer and seller in industry over price control has been accentuated by the protests of the consumer. In the first months of code making the consumer was almost forgotten. Through various organizations he is now making it plain that he does not propose to surrender the right to bargain which he had under the system of free competition unless he is absolutely protected against what he suspects are unwarranted price increases. Such a protection would amount to a reopening of the whole subject and would include every phase. The *Survey Graphic* has stated the consumer's position in these words:

Consumer wants to bargain

"IN a shift from the market to a board as the agency of price making the problem of the consumer is clear-cut. He cannot afford to barter the safeguards he possesses under competitive arrangements for less than an equivalent. He is one of two parties to a bargain. The power to fix prices, as the highest court in the land has said, carries with it the power to fix unreasonable prices and that is intolerable to the spirit of government."

The open-price fixing methods assured to industries in a number of the codes have been the target for the most violent opposition. Linked to open price fixing is the definition of costs, upon which all price fixing logically depends. The initial approach of the NRA, however, was through the absolute fixing of prices in the codes. The Dyers and Cleaners code seemed to offer an ideal opportunity for price fixing. The character of the work done by dyers and cleaners does not differ from Alaska to New Orleans. One may do better work and use better materials than his neighbor, of course. The costs of operations were determined by wages paid, rent, overhead, advertising and delivery service. The industry was in grave need of aid. Rate-cutting was general and racketeers were active. A code was approved which fixed the charges to be made for every type of service.

ALTHOUGH price control has been tried unsuccessfully for thousands of years the NRA attempt differs from all others because NRA hopes not only to prevent prices from rising too high but also to keep them from falling too low

If it had been successful it is likely that definite fixing of prices would have been the rule in the codes which were to follow. But it was tremendously unsuccessful. The first protest came from the consumer. He refused to pay the code prices. The cut-rate operators discovered that statute law had not repealed the economic law of supply and demand and cheerily continued to cut prices. Efforts to compel compliance with the code through the courts failed. The dyers and cleaners who adhered to the code and found their business being taken away by lower-priced operators began to abandon it. Of the 25,000 independent operators in New York City alone, 22,500 went on strike against the code, involving a loss of employment to approximately 50,000 persons. In other cities and towns, dyers and cleaners openly abandoned the code. One protestant said at a code hearing:

"I would rather go to jail for refusing to obey the code than go to the poorhouse for obeying it."

With the abandonment of definite price fixing by the code authorities, following the dyers and cleaners debacle, the methods more euphoniously called price stabilization came into use. In these, the industries concerned fixed their prices subject to the control or veto of code authorities. The theory was that prices should be related to costs by varying ratios and that costs should be determined by agreed-upon formulae. This phase will be considered later. Meanwhile a grocer in a small New York town made trouble for the AAA.

Legality is questioned

THE Agricultural Adjustment Administration was trying to regulate agriculture in the interest of the farmer, just as the NRA is seeking to improve industry through governmental action. Milk raisers had long complained that the spread between milk prices on the farm and at the consumer's door was too wide, and that the raiser was slowly starving. The AAA undertook to control both the price paid to the farmer and the price paid by the consumer. The small town grocer gave a premium of a loaf of bread with each quart of milk. It was a violation of the control terms and he was warned. He promptly went to court in defense of his right to give away bread if he felt like it.

By a five to four decision the Supreme Court of the United States ruled in effect that he must not feel that way. The authority of the AAA to control prices under certain conditions was upheld. This decision strengthened the hand of the NRA. The Court did not rule on the wisdom of the price fixing experiment, but merely held that prices may be fixed.

The defiance of the small grocer and related actions opened the question of the legality of price control by the NRA and the AAA. Both organizations stand on the Interstate Commerce Act. They contend that commerce is so interrelated nowadays that state lines have ceased to exist. In General Johnson's words:

"Intrastate commerce and industry compete with interstate commerce and industry. Unless we could find some rule to put them on the same basis of hours and wages we would not have been justified in doing anything at all. Intrastate operations would have ruined interstate enterprise. . . . State lines are not the significant lines in American commerce. If there are any clear lines of demarcation they are regional rather than state boundaries. The areas are economic rather than political. . . . We have to devise some means of insuring some improvement by operators working physically intrastate to protect interstate commerce."

Pending a definite ruling by the Supreme Court upon this question, the construction of codes continued. Out of 238 codes approved as of February 1, 1934, analysis of 172 showed that 78 of them included open price provisions. Code rules permitted individuals in the industry to post prices either of the present or to take effect at a fixed future date. The theory on which these rules were written was that wages had been increased, hours shortened and the cost of raw materials advanced in many

cases. These facts compelled an increase in manufacturers' prices from the sacrifice levels of the depression. Price posting in theory simply meant that each manufacturer told his rivals in business at what price he would sell his goods. In fact it meant one of two things:

Either a vicious trade war, with all the ingredients of wage cutting and day lengthening, or—

An agreement between manufacturers for price maintenance.

The effort in the NRA at the moment is to find some way around this stump. The general principle of price control has not been abandoned but the invention of a means of price control which does not involve either direct price fixing by the Government or collusion between manufacturers would be welcomed. No alternative has been found at the moment of writing, although Mr. Whiteside, in charge of all retail codes, has stated that:

"Uniformity in prices and excessive price increases have apparently arisen from the operation of open price agreements. Activities extraneous to the codes which are apparently the result of collective understandings have developed through the intimate relationships established. Interpretations of cost as a level below which no sales shall be made have resulted in raising prices to an unjustifiable level."

Code makes higher prices

MR. WHITESIDE'S statement that prices have been boosted and monopolistic understandings reached is supported by a statement from the buyer for one of the great stores. A manufacturer quoted to him a price on an article, basing it under the code rule on the costs involved. This price was filed with his industrial association and he was promptly called to account. In the conference which followed, the manufacturer was able to show that he had made a fair price, would make a satisfactory profit, and was operating in full accord with the letter and spirit of the code. The secretary of the association said to him, according to his statement to the buyer:

"If you make that price, the other fellows will go you five dollars better. I know the sentiment of that crowd. They will cut any price you make. Better play ball."

The price lists and discounts filed on January 29, 1934, by more than 50 manufacturers making the same articles showed that the prices were not only the same but that they were in some instances 20 per cent higher than last year. It is assumed that the increase was thoroughly justified by the increased costs and the fact that 1933 was a year in which distress prices ruled, but this particular instance could be supported by innumerable others to show that open price posting has often resulted in price fixing. At the public conferences held by the NRA this statement was repeatedly made and never challenged. Those opposed to price posting also pointed out that the companion to price fixing is inevitably a price war. No one suggested how fair competition could be obtained while the Government, through the NRA, was a party to the negotiations. The nearest to a clue out of the maze is to be found in the intentionally vague words of Mr. Whiteside, who said:

"The need for safeguards on prices becomes less acute when the costs of labor and material are made more rigid by minimum wage provisions. Machinery probably should be set up for analyzing a continuous flow of the price complaints and responses which, with adequate preparation, will correct the abuses."

That seems to mean the prohibition of open price fixing in any code by the NRA, plus the assertion of authority directly to control prices when complaints are made. So eminent a statesman as John W. Davis, once democratic candidate for the Presidency, has taken issue with the theory in these words:

"The law of supply and demand cannot be thwarted by price fixing."

Yet there are indications that, if open-price posting is abolished in the codes, along the line of Mr. Whiteside's suggestion, some such means will be resorted to. The immediate difficulty encountered in all price-fixing operations is to discover the costs upon which the prices shall be based. An effort has been made to install some form of uniform accounting. The codes assure that wages and hours shall be the same for every member of an industry and that each manufacturer shall pay approximately the same price for his raw materials.

Few codes, however, undertake to define cost, because it would be difficult to phrase a definition that would be generally applicable even in one industry. Eric A. Camman has stated in the *Bulletin* of the National Association of Cost Accountants that "in 63 codes costs are defined 'as determined' under a standard method. In 53 other codes there is no definition whatever. In 11 codes the costs are more or less expressly defined. . . . An unqualified clause, literally carried out, would mean that those companies in an industry which can quote the lowest prices justifiably on the basis of the lowest costs will have the field to themselves."

Under such a code the others cannot bid under the price quoted by the man who has the lowest costs. But the New York *Times* pointed out that the salesman who cannot cut his price has other rifles handy with which to bring down the 'coon. A salesman can, for instance, bet with the prospective customer:

"I cannot cut Jones's prices, you know," he might say, "so I will just bet you $500 that I do not get the order."

If he gets the order and loses the bet the code authorities can do little about it.

An effort was made to find a more reasonable price floor than that established by the manufacturer who can show the lowest costs. Unfairly low costs had been guarded against by provisions that manufacturers who had picked up their plants at sheriff's sale and, therefore, had undue advantage in capital investment or other exceptional circumstances should not be permitted to take advantage. Such a manufacturer must accept the low cost as established by the operations of the "most efficient member" of his industrial division.

Challenging cost figures

THAT did not work so well because of a regrettable weakness in human nature. The man who could not make goods as cheaply as "the most efficient member" would at once challenge the latter's statement of costs. In self-protection the efficient member would refuse to show his rivals the secrets of his establishment. Therefore, codes were written which provided that the lowest cost should be accepted as established by—

"The representative member whose cost is the lowest."

Then the question arose as to how the representative member would be selected. If, by vote of the manufacturers in the division, it became apparent that the extremely low cost man would be barred—as, indeed, was the intention—the high-cost manufacturers were frequently the most important in the industry and could enforce their demand for protection. To the bedevilled codemakers it began to seem that the "most representative member" phrase was simply an assurance that prices would be made on a basis of high cost rather than low cost. That meant an immediate and furious protest from the consumer who insisted that, if the

AN immediate difficulty in all price-fixing operations is to discover the costs on which prices shall be based. Costs of the lowest cost member of the industry, the most representative member and the most efficient member have been used as measures

right to bargain had been taken away from him, his rights must be protected in some fashion, and that "the most representative member" did not offer that protection. The fixing of prices on a ratio-to-cost basis also gave rise to a condition which General Johnson delicately termed "racketeering and abuse." The condition recalled to one commentator an incident of years ago. A steel gadget had been invented which sold to housewives like hot cakes at $1.50. A man went to the Jones and Laughlin firm with a proposition:

"We can control the manufacture and sale of this absolutely," he said, "by taking over the manufacturer and allotting the sales territory. Then we can sell it for four dollars."

"It looks that way," said Mr. Jones, wearily. "But you don't know about prices. I do. If you put the price up to four dollars it will be selling inside of a year for 75 cents."

Sales made below cost

IN 99 codes containing selling below cost clauses, 88 refer to the individual cost of the producer. He is forbidden to sell below his own cost. In 17, this principle is recognized as unworkable and he is permitted to sell below cost to meet competition. In 13 other codes he is allowed to get rid of obsolete goods, or seconds, or to liquidate inventories at less than cost. In nine other codes he can, under certain conditions, sell below cost to meet competition and to get rid of old stock or to obtain badly needed cash. In 12 others the manufacturer is given still further latitude.

In the road machinery business a maker may sell at less than cost to get into new territory or to introduce a new line or to vary his product to permit successful competition under specified conditions. In two codes the code authority may examine into costs; six permit the code authority to recommend the adoption of open prices; one directs the confidential filing of prices with the association secretary, 27 provide for the dissemination by code authority; six for that dissemination on application; two for dissemination by the members individually. In 23 the procedure is not defined and in one the code authority and the members are directed to work out a plan at some future time. In one, goods must be sold at cost plus ten per cent after agreement in writing has been obtained from the regional authority and, in another code, members may sell below cost to meet the competition of another member whose price is not less than the "cost of manufacture of such other member."

The Mail Order Association of America, the Limited Price Stores Association, the National Retail Drygoods Association and many other organizations of similar nature have opposed the open price posting provisions of codes, as inevitably leading to price fixing. An epitome of the objections to open price fixing may be found in the statement of Prof. A. Anton Friedrich, at one time a member of NRA's Planning and Research Division. He said:

"Business groups have outlawed competitive practices peculiarly disastrous to their profits. In some instances they are privileged to fix prices outright; in others they may impose minimum prices upon all members of the trade; they are permitted under the codes to restrict output, to limit the introduction of machinery, to add freight charges from arbitrarily established shipping points although the actual shipment to the consumer may be from points much nearer. They may add a wholesaler's margin although no wholesaler may actually handle the goods. More important, they have the right to set up machinery to act in concert and collusively without adequate public control. This is called the corrective to the competition which was proving so unprofitable. Another name for it is monopoly."

In the AAA the theory of price control is that of a managed law of supply and demand. Secretary of Agriculture Wallace and his aides argue that if the area of cultivated land is reduced by from 25,000,000 to 100,000,000 acres—the sum varies with the argument—and the farmers formerly occupied on these acres are put on subsistence homesteads, which is a fancy name for a small cottage with a garden attached, from which they can walk to and from their work in the nearest town, and importation is restricted, the prices of farm products will inevitably rise to a point at which farming must pay. A step has been made toward this end in the cotton agreement by which the cotton crop is to be restricted to 9,500,000 bales. Mr. Wallace foresees as a possibility under certain conditions the licensing of every farmer and every cropped field.

It is estimated that the various processing taxes on farm products will add one billion dollars a year to the expenses of the American people. Mr. Wallace prefers this plan, if the need compels, to outright price fixing by the Government, however. In speaking of a demand made that President Roosevelt fix the prices of farm products he says:

"I thought of the dairy situation and of farmers with hogs to sell and I shuddered. I thought of the racketeering that would grow up if different groups of farmers, aided by city racketeers, began to fight as to whose hogs should get the preferred price. I thought of working out the price differentials for every town and city in the United States and of working out base and surplus plans week by week and month by month for each farmer in the United States. . . . I knew it would be necessary to go to Congress and get a very large appropriation for a police force of half a million men. . . ."

Too many police required

IT is this possibility which has been forced on the attention of the NRA if adherence is proclaimed to a price-fixing plan. No one in NRA desires anything of the sort, of course. The hope is that, if a plan can be found for the fixing of prices, industry will police itself. In the millinery industry alone the cost of policing has been estimated at not less than $450,000 annually, and that is but one of the approximately 650 codes. The first step, of course, would be to call on the trade associations to act, subject to the aid and supervision of an officer of the Government. Secretary Ickes has already set this fashion by creating a cartel among the oil producers. He feels that the reduction in oil production and the consequent rise in price of crude oil should incline the oil men to look kindly upon him:

"Producers of crude oil received about $1,000,000 a day more than during the preceding eight months. It is certainly sounder business to sell one barrel of oil for 93 cents than two barrels for $1.02."

Pleasing as it is, that is not all of the picture. The proration of oil in the states has been uniform so far as interstate oil-carrying is concerned. That has meant that the man with one little 40 barrel well can carry his share of the proration away in a bucket while the man with a field full of derricks is still able to get along very well. Less is being heard now of the proposition to prorate the production of bituminous coal. The Supreme Court of the United States has permitted the coal producers to get together, tentatively, on a plan for regional cooperation in distribution and sell-

(Continued on page 94)

ALTHOUGH a large portion of the 500 to 3,000 letters NRA receives daily touch on price control, there are few complaints against the principle. Every phase of price control in actual operation has been attacked, however

What's Ahead in Washington

W. M. KIPLINGER *Continues His Correspondence*

Dear Mac:

FIRST let me try to answer your last question. You asked "whether the President really knows what he is doing." Lots of people ask the same question. They, like you, don't mean to imply that he doesn't know. They don't mean anything "dirty." But they see the President frankly engaged in experimentation, and they wonder whether he pushes buttons and pulls levers without knowing what happens next.

The President

IT IS my impression, after a year of study of Mr. Roosevelt's actions and mental processes, that he *does* know what he is doing. He knows in advance approximately what will happen after he pushes the button or pulls the lever. He appears to act spontaneously and impulsively, but he thinks things out pretty carefully. He tries out ideas on many persons, many different kinds of persons, before he lets them crystallize into policy. He trims and twists and hedges and discards before he finally makes up his mind.

Of course he's an opportunist. He seizes opportunities and he watches for holes in the line. But this is an essential trait in any politician, and there is no longer any doubt that Mr. Roosevelt is an excellent politician. He understands mass psychology, and he knows how to adjust himself to public sentiment, and how to swing it.

The reason why it's particularly important to scrutinize and to understand the President (not just once, but all the time) is that he is still something close to being the whole government. There's still a Congress, but on most things it does his bidding.

Congress

CONGRESS is showing a few minor signs of independence. It isn't quite so docile as it was a year ago. But in the main it is under the President's control and will continue so throughout this session, which will run probably until June.

This means that on close issues, when there is a wavering in Congress, when there's doubt about the enactment of some bill, there arises the question, "Does the President want it?" If he does, the bill will be passed. There are exceptions to the rule, but on most issues you are safe in applying it, thereby doing your own forecasting of legislation.

Criticism

THERE'S a new spirit of resentment of criticism within the administration ranks.

Some of the second-string men have displayed it for months, and now it has taken hold of the President.

It's a bad sign and it will lead to trouble. Hoover developed the same complex along toward the latter part of his administration, and Roosevelt is developing it a little early.

Criticism, of course, is not always clean in motive. It may be partisan. There's nothing wrong with party partisanship, or with criticism which grows out of it, provided it is understood to be what it actually is. When it is presented under guise of being something else, it may be confusing.

But there's plenty of honest criticism, and plenty of good motive behind much of it, and the habit of resenting it is not a good habit in our Government. The fact is that the Roosevelt Administration has had very little criticism from the public. The public has been and still is enthusiastic about the New Deal, in the main. For a government to complain about as small doses of criticism as this Administration has received does not seem politically sportsmanlike.

The situation is fundamentally significant, and you should keep it in the back of your mind.

Business Outlook

BUSINESS probably will continue to improve through April. At least this is the opinion of most of the non-political observers in Washington—men whose job is to advise the Government and who can't afford to be often wrong. The improvement will be in business volume and in profits.

Prices are not expected to rise much in the next month or two, but they are expected to rise a little.

Government credit is holding up better than most observers expected, and this is encouraging. The market for private bonds similarly shows strength.

Improving corporation earnings suggest the possibility of fundamental strength in the stock market, despite the numerous harassments which the stock market will have from Washington during the next couple of months.

There's a certain amount of anxiety in Washington over the period starting roughly around May. This is the period when there ought to be a test of the transition from government spendings to private spendings. It looks as if private business is beginning to "take hold," but there will be no certainty of it until around May.

Construction is the one industry being watched more closely than any other. If private construction improves a good deal in April, then a lot of worries will be lifted.

Nothing resembling a boom is expected within the next six months. There is too much economic debris still to be cleared away. There are too many delayed adjustments still to be made. But there should be much progress during these six months ahead, and there are a few signs that something like a boom might occur next fall.

Monetary Policy

FEARS of currency inflation have died down considerably during the past month or two, mainly because the Administration has demonstrated its opposition to any wild scheme of expansion of paper money.

Devaluation has occurred with a remarkable absence of immediate results, either good or bad, because the results were anticipated.

There are no plans for using the two billion dollar fund created by clipping gold from the dollar as a base for new currency.

Silver advocates are still strong in Congress, and can be expected to make periodic demonstrations of their strength, but the President is very moderate on the silver question and

the Administration can be relied upon not to do anything really big about silver. The silver issue, in the mind of the Administration, is minor.

Bank Credit

THE stage is all set for a tremendous expansion or inflation of bank credit, and this is one of the biggest features of the Government's blueprints for the future. Available bank credit already has been expanded in a dozen ways, through a dozen channels. The credit is in the banks, on the books, in the statistics. The problem now is to get it to working, to revolving, to circulating, to making new business grow where none grew before, to making new jobs. (Everything the Administration does these days is weighed in terms of employment.)

There's every reason to believe that bank credit will be translated into business loans increasingly in the next few months. Under deposit insurance, the banks no longer have need of their superliquidity, and the profit urge to put their credit to work in the form of loans will show results.

The bulk of the country's business is done by small business units, and their need at present is for capital (relatively long term), rather than for commercial credit (relatively short term). They need to borrow for two years, or three years, or five years.

Consequently the Government is taking steps to set up a system of intermediate credit banks for industry, roughly comparable to the intermediate credit banks already existing for agriculture. This will be moderately relaxing for capital loans within a few months.

A note of caution against overexpectancy ought to be sounded. Some of the enthusiastic writings out of Washington leave the impression that any business man shortly will be able to get any amount of money he needs for any purpose which will expand his business. This sounds good, but it just isn't true. Even the New Deal has not abolished the line between good risks and poor risks, and all business men who need money aren't necessarily good risks.

I think you are safe in assuming that both credit and capital will be more easily obtainable in the future than in the past, and that the improvement will be progressive, but that it will be moderate.

Furthermore, most of the loans to business will be made by private lenders, and very little directly by the Government. The Government hasn't the facilities for checking into millions of cases. This is a job for banks, and the Government will stand behind the banks, ready to take loans off their hands when and if the banks should wish it. But the truth is that the banks have so much idle and unprofitable credit that they are eager to lend, and they are willing to take certain chances which they wouldn't have taken earlier, and they now will have assurance that if they get pinched they can go to the Government and borrow, or rediscount. The Government has become the world's greatest wholesaler of credit, but the retailing is still being left largely to the banks.

Construction

THE Administration has high hopes of getting construction into second gear by late spring. Especially does this hope apply to home building. Studies in many typical communities show that there is a great potential demand for new homes, as the undoubling of families is occurring, as young people get jobs and get married (they are still doing both), and as older people abandon the fright which has gripped them.

Mortgage loans have been tight, however. Mortgage loans are still tight, but it looks as if they will loosen up very soon now, and this means home building. Normal home building as stacked up against public works would make the public works look insignificant.

Small additions to existing mortgages to finance home improvements and modernizations are to be encouraged by the Government, both in cities and on the farms, both through the home loan system and the farm loan system.

It certainly looks as if all the multitudinous lines which contribute to construction could expect healthy expansion beginning a few months from now.

Unemployment

THERE'S no use kidding ourselves about unemployment. There's plenty of it now, even with public works and civil works, and there's going to be plenty of it for a long time—years. This means several things:

Governments, federal, state and local, must consider unemployment relief as a continuing and semipermanent obligation.

The creating of jobs through public works of one sort or another by governments will continue indefinitely. Relief doles, without accompanying work, probably must be continued, but in diminishing volume, for public sentiment favors made-work as a lesser evil than doles.

The bill for all these unemployment reliefs must be paid by you as a taxpayer.

Working hours can and will be reduced, for the present, to 36 hours in many lines. Even this will not take up the existing unemployment, but it will help.

A permanent civil work corps will grow out of the existing Civilian Conservation Corps and the Civil Works system. This will make a nucleus for an Army, if we should ever need an Army in a hurry. (Officials don't like to have this said, and they deny it, but it's true.)

Taxes

PEOPLE look with amazement at the Government's huge expenditures, and its tremendous current deficits, and they ask, "Who's going to pay the bill?" There's no mystery about who's going to pay the bill. You, as a taxpayer, are going to pay it; also your children.

You may think that taxes have been heavy in the past, but they have been light in comparison to taxes of the future. Directly and indirectly a much larger share of your income in future years will go to government.

This year the Federal Government is going easy on tax increase. Only a few hundred additional millions are to be raised by the new tax bill, mainly by soaking the rich. Next year there will be drastic tax reform, a wholly new system of taxation, in which higher estate taxes will play a prominent part. Also higher income taxes, especially in the middle and higher brackets. The motives will be partly to get the money, and partly to use the instrumentality of taxation to redistribute wealth.

Officials don't like to talk about higher taxation just now, but they talk it in private, not for quotation. There's no reason why the news should be concealed from you, particularly inasmuch as ultimate taxation policy influences business decisions in advance.

NRA, AAA

THE phenomenon of government control of business has now passed through its first phase and is entering the second phase. Neither NRA nor AAA has been a huge success. They doubtless are having a restraining influence on business at present but they were essential experiments, and in some revised form they will be permanent.

Some people say NRA will collapse. They think it is an impossible job for government to supervise the multitudinous activities of private business, and that the whole idea will go the way of prohibition. There is enough truth in this view to make it a possibility, but I don't think it should be regarded as a probability. There will be many shifts of policy, there will be many changes, but no collapse. Organized business itself (which has done considerable grumbling against

NRA) would not sanction abandonment of control. How to enforce the codes is the big problem. It has not been solved. There are many violations. Business men gossip about the violations, and business men *en masse* know more about them than NRA does. Hence enforcement is obviously a task for business men themselves, through their code authorities and the numerous pieces of machinery which will develop under the code authorities.

Many code rules which prove to be unenforceable will be abandoned. Gradually the technique of ruling an industry as a whole, instead of merely one unit, will be developed by business men. The Government will keep its hand in the pie, partly to protect the labor interest, partly to protect the consumer interest. Profits of many individual units will be lessened, but profits of industry as a whole will not be reduced to the vanishing point (at least so long as we stick to the private-capital and private-profit system, and there seems to be no serious intention of abandoning it in its essentials).

General Johnson has remarkable vitality, both personally and officially, but he has not gained in discretion or in balance. He has led the cavalry charge, but he can not organize the supply lines which must now be laid down.

The Agricultural Adjustment Administration recently has devoted tremendous energy to marking time. It has done much thinking and gesturing, and very little acting. But its Administrator, Chester Davis, is a capable man, and better things can be expected of AAA before long.

Labor

THERE are too many phases of the labor issue to discuss briefly, but the most important observation which can be made is that organized labor's influence in the Government continues to increase, while the influence of organized industry has decreased. It is not a "labor government," but it is more nearly a labor government than anything we have ever had.

Business leaders are still pretty much cowed. They don't dare speak their minds right out in public. There are exceptions, but generally it's the rule and the mode at present.

Unionization, in one form or another, is on the up-and-up. Labor has not yet gained its "right" to be directly represented on code authorities, but there is still a great drive to this end, with fair chances of ultimate success—years hence.

Foreign Trade

HERE are the steps in George Peek's program for increasing our foreign trade: (a) Discover who wants to buy or sell, here and abroad; put together the facts and see what's missing. (b) Negotiate some reciprocal trade agreements with other countries, covering specific commodities of ours for export, with special reference to our agricultural products, and other specific commodities for import, thereby bringing a yowl from some of our domestic producers, including sugar. (c) Float the exports with loans from the new Export-Import Bank, covering part of the deal, but not all of it. This is a long-range program. It will take a year to get going in any volume. The policy will be conservative. There will be no open-handed generosity on export loans.

Our policy of nationalism probably will run for two or three years, and then it will begin to break down. Meanwhile we shall really learn what we have always been told, but didn't believe—that if we want to sell abroad we must also buy abroad.

Obviously trade reciprocity means the swapping of some of our domestic industries against other domestic industries. We shall help Industry A, which will applaud, at the expense of Industry X, which will make an awful protest. The major difficulties of trade reciprocity are internal, not external.

Don't expect great results from the new policy of trade reciprocity or bargaining for a long time yet. It's a gesture in the right direction, but it's apt to be overadvertised.

Tag Ends

Air mail. Most impartial observers think the Administration made a blunder in annulling the air mail contracts. But the disruption is only temporary; the mail will be back on commercial lines under new contracts before long. This incident has shown the aviation companies that they had better get under the wing of the ICC, where there are no partisan politics, and this will be done in due course.

Railroads. The new streamline train, driven by oil, has made a deep impression and possibly a revolution in railroading of the future. It is causing much talk about abandoning of electrification projects and deferment of big government loans to railroads for rolling stock. It has given new point to the comment that no piece of machinery is more clumsy and antiquated than the steam locomotive.

Machinery. NRA has put a restraining hand on expansion of plant facilities in some industries, and this makes some people think that the Government is opposed to modern labor-saving machinery. It is true in a very limited and very temporary way. For the long run the Government's policy is to encourage the use of modern machinery. It's one way of reducing working hours and raising pay and still maintaining a profit margin.

Prices. There's much less Washington talk now about the price level than there was a few months ago. The prevailing idea now is that it will take a couple of years to raise the general commodity price level from its present index of 74 to an index of 100. But always remember that one of the major aims of the Administration is to raise commodity prices in one way or another. The only new feature is the idea that the rise will be slow instead of fast.

Parity. And never lose sight of the Administration's determination to raise agricultural prices to their former parity with other prices. Control of crop production is regarded as a temporary experiment, to be used during the period of nationalism, to be abandoned or drastically modified eventually.

Distribution. The so-called radicals of the Washington agricultural sphere talk about reforming methods of distribution even more than Hoover, the conservative, talked about it. The new dealers want to limit and regularize the profits in distribution. If they can't do it in any other way they will move toward making distribution of agricultural products a public utility. Milk, for example, is on the edge of the public utility status.

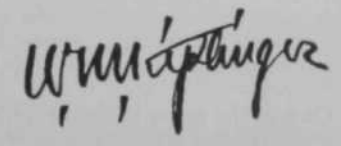
Wife. Mrs. Roosevelt has become a real force in the Administration. She influences many policies which relate to humanitarian things. She does it both through the President, and directly with various officials. She has her own sphere of influence. Some people like the situation, and some don't. In Congress it is not liked.

Leisure. Out of the social reorganization now occurring will grow more leisure in future years. There will be a great growth of businesses which are built upon the leisure of people. This means the Resorts, the Floridas, the Californias, the Tours, the Parks, and the Things Recreational.

War. Danger of war in Europe has lessened but has not passed. Danger of war in the Orient has increased. It looks as if Japan would attack Russia some time, and there's no telling where or how that mess will end. It is a factor in our increasing friendliness with Russia.

Book. A book of Washington personalities and policies called "The New Dealers," anonymous authorship, is being published. I recommend it to you. It is pro New Deal, obviously liberal, critical, shrewd and reasonably accurate.

Yours very truly,



March 10, 1934

No Business Can Escape Change

IN THE constant quest for newer, better ways of doing things lies the genesis of change. Man has ever pursued that quest; progress is measured only by the vigor with which he continues that pursuit

A novel fastening device zips onto machine screws and bolts, serves both as nut and lockwasher, needs only a screwdriver to tighten. Made of arched spring steel, punched and slitted to engage the threads, it's said to give speedier, assembly of metal parts, to permit expansion, contraction. . . .

A bituminous anti-corrosive vehicle for aluminum has been developed which gives two coatings—black base, aluminum surface—at one brush stroke. It can be applied to damp surfaces, is said to prime, protect, decorate in one operation. . . .

Old King Coal faces another rising rival in petroleum carbon. A petroleum by-product—the residue left in stills after completion of refining processes—it is being crushed into pea to egg sizes for domestic heating purposes. . . .

A recently developed drive screw for attaching wood or steel to concrete is driven directly into the latter by a hammer blow, is said to eliminate necessity of drilling and use of plugs. . . .

Liquids in wooden tanks are heated as readily as in tanks of steel through a new gas burner which is immersed in the liquid, brings the flame in direct contact with it. . . .

Fire fighting is aided by a recently developed, hopper-like device through which chemicals are fed into the water line, generating a fire-smothering foam, increasing water pressure. . . .

Electric lights are kept burning regardless of current interruptions by a new emergency lighting unit which goes into action automatically, instantly. . . .

Home-made ice cream can now be had without an accompanying arm ache. A new home freezer is powered by an electric motor, is said to make ice cream in eight to 12 minutes. . . .

Housewives do their cooking to music on a new electric and a new gas stove which have built-in radios. . . .

The old parlor-table stereoscope is back in new guise, an opera-glass-size instrument by which pictures, on special films, are given depth, brilliance. Scenes shift by touch of a lever. It's offered for use with films for entertainment, advertising, etc. . . .



Mistakes are mended in a jiffy with this new electrical erasing machine. It's equipped with an assortment of pen, pencil erasers

One of life's little nuisances is attacked by a new screw-cap remover for jars, bottles, etc. Fixed beneath kitchen shelf, it grips vari-sized caps, leaves both hands free to turn the jar. . . .

Another kitchen aid is an electric knife sharpener, available in models operated by battery or alternating current. Two grinding edges automatically sharpen the blade as it's drawn through. . . .

A new battery-operated razor-blade sharpener is also offered; then there's an electro-magnetic blade sharpener which plugs into a current outlet, hones and strops in one operation. . . .

One of the newer bathroom gadgets is a vitreous china ash tray which fits over a metal clip screwed to the wall. . . .

A new closet flush valve is said to be practically noiseless in operation, permits flush volume to be fixed anywhere between two and eight gallons. . . .

A nailless crate has been developed to reduce hazards to furniture in transit. It can be used repeatedly, consists of six panels which are locked in place by a keyboard. . . .

A new "headlight" is worn like spectacles, mounts a reflector and bulb above each eye, draws current from a pocket battery. It offers mechanics and others direct, concentrated light on their work. . . .

An automatic instrument for making accurate, sensitive color analyses has been developed. Used to test color of paints, papers, textiles, etc., it plots a "reflection factor curve," said to be the only scientific way of specifying color of a given sample. . . .

A new, magnetically operated switch opens doors, performs other functions for trucks, tractors, etc., is unaffected by animals, non-magnetic objects. Steel or iron brought within 18 inches actuates it; no physical contact's needed. . . .

A saving of three days in the time required to fire glazes on pottery is said to be effected by a new process which brings gas flame into direct contact with the ware. . . .

Both color and grain of weathered cypress are accurately simulated in a new asbestos cement shingle. . . .

Grocers, others can now offer customers whipped cream ready for use through a new machine said to change one quart of whipping cream into three quarts of whipped in two minutes. . . .

Muffins, biscuits, corn bread, etc., are baked at the dining table by a new electric appliance. . . .

Bandits have a new foe in a bullet-proof camera which catches them in the act, provides a series of photos for identification purposes. It's set going either by a foot control or photo-cell. . . .

—PAUL HAYWARD

EDITOR'S NOTE—Material for this page is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business information into our offices in Washington. Further information on any of these items can be had by writing us.

THE FOLLOWING *article was written before the introduction by Senator Wagner of his National Labor Board Bill, a bill designed to destroy company unions, and utterly repugnant to the principle of free dealing between employer and employed. Under a strict interpretation of the bill it is doubtful if a company could gather its workers together into one room to ask their opinion as to group insurance.*

Already business is massing in opposition to the bill and is met by threats of strikes. How seriously the bill would menace industry is made plain by this statement from the American Iron and Steel Institute:

The bill is designed to control all labor matters by political rather than economic forces and to destroy the friendly relationships now existing between employers and employees and thus disrupt the industrial welfare of the nation.

The chief object of the bill is to turn the control of American industry over to a national labor union monopoly, notwithstanding the fact that national labor unions by appeals for voluntary membership over a period of many years have succeeded in enrolling less than 10 per cent of the workers of this country in their ranks.

Under the provisions of the bill it is an offense, subject to fine or imprisonment, for an employer to participate in any way in any organization of his employees or even to compensate them for working time lost while engaged in furthering the interests of their fellow-employees or settling their difficulties with the management, although the employer is denied by law the right to have an injunction in the federal courts to protect his property, no such restriction is placed upon the labor unions.

The iron and steel industry has given support to the National Recovery Administration and has cooperated in every way under the steel code: all but 20,000 people who were attached to the Industry at the 1929 peak have been reabsorbed into the industry, which now has on its payrolls approximately 400,000 people. Wages have been advanced more than 22 per cent. The industry has cooperated through its code in the belief that Government regulation under the Recovery Act was a temporary measure for the emergency, realizing full well that legislation, subject as it is to changing political influence, cannot permanently take the place of economic laws.

The Wagner Bill, however, is not limited to the emergency, but would create a permanent labor tribunal with powers so extensive as to make further efforts and sacrifices on the part of industry in this emergency seem futile.

If the author of the bill had intended to be fair to both employers and employees, there would be found in it provisions for Governmental supervision of the election of labor union officials, for the accounting by them for the many millions of dollars of dues paid by workmen which would come to them through this Legislation. There would likewise be provisions imposing an obligation upon labor unions to become incorporated and legally liable for their acts, and giving the employers the same remedies against them as are provided in favor of labor unions and against employers.

The article that follows throws much light on the causes that led up to the situation which became acute with the Wagner Bill. Its author has been intimately associated with the union labor movement in this country.

Company Unions and the A. F. of L.

WHAT are company unions and what is going to happen to them? In the whole realm of industrial relations perhaps no other issue even approaches this in importance at this hour.

Battle lines are formed or are forming. As some see it, here is the Marne. As others see it, here is about the last rampart of Bourbonism and it must be taken.

We shall not join in this dispute. We seek here only appraisal. This is a survey—a look about—not an expression of opinion, which would be much simpler.

To bring the question into clearer focus, the issue is not so much company unions, of and by themselves as it is company unions and what is the American Federation of Labor going to do about them and the growth of them.

NRA and the National Labor Board have brought to a distinct head the conflict between these two forms of organization. The American Federation of Labor has been in existence more than half a century. Company unions have been in existence many years. Prior to NRA many of them were protected by court order and by individual contract between employer and worker. Section 7 (a) of the Recovery Act changed the whole situation but the change intensified the conflict. Both forms of organization leaped ahead in a race for new strength. Both forms can live under the law as it stands, providing the form in operation is the free choice of the employees and is adopted without coercion. Organizations of either kind formed before NRA can continue to operate if the employees involved wish them to continue.

Types of company unions

THE term "company union" has been and is loosely used. A company union can be an organization of employees within a plant or it can be an organization of employees within a nation-wide organization, such as the Western Union Telegraph Company. There are many types of these organizations. In some, the authority is exercised jointly by employees and employers. In some, the employer does not show at all. There is one cardinal and ever-present difference between every type of company union and the free labor union such as is found within the American Federation of Labor. The company union does not affiliate in any manner with organizations of workers outside that industry and generally not outside the operations of a single employer. General Electric employees and Westinghouse employees do not associate in affiliated organizations. Postal Telegraph employees are not permitted to join the Association of Western Union Employees. One side would declare that no goats are wanted in with the sheep; the other would retort that no sheep are wanted in with the goats.

There are two statements of reasons for this line of cleavage which keeps employees within the boundaries of their own employers' business.

One is that the employees in that business have a presumed interest in it, that they know about its problems, that it is logical to deal with them and to refuse to deal with advocates who have no relation to the company's pay roll.

The other is that the employer demands this aloofness, or isolation, because its abandonment would mean the strength of alliance for his employees and the ability of his employees to have counsel not dependent upon that company's pay roll.

Debate as to these things is endless.

The National Industrial Recovery Act has rendered much of it bootless and seemingly impending legislation may go even further in that direction.

There are certain facts, however, that are not changed by debate.

Some of these facts are:

1. Company unions have grown in number with great rapidity in the past year.

2. American Federation of Labor

unions have grown in great numbers in the past eight months.

3. The company union, in a sense, follows the trend of modern industry and, being vertical, fits more nearly into the NRA idea of what unions ought to be, structurally, than do A. F. of L. trade unions.

The law on unions

NOW, against those we have certain other facts, some of which are:

1. The law stipulates that the form of labor organization is not the business of any one except those workers who are directly involved. It has become unlawful for anyone to tell workers how they should organize and this injunction probably lies against NRA just as NRA has sought to make it lie against the Weir Steel Company at Weirton.

2. Verticalism, if we may call it that, is nobody's monopoly. It has little if any connection with progressivism or with conservatism. It was the idea of the I. W. W. and it is the idea of the United States Steel Corporation. It is the idea of the General Electric Company and it is found within the American Federation of Labor. The American Federation of Labor holds that the form of unionism is a matter of tactics, not of principle. Probably corporations hold likewise.

3. The crux of the whole issue probably is found in control, the effort to control or the suspicion that there is an effort to control; and not in the actual form of organization. If Mr. Weir organizes his employees into a vertical union, Mr. Green goes into Akron and organizes a flock of vertical unions in the rubber plants. Mr. Weir keeps his employees in an organization which has no relation to the organizations of employees working for any other employers. Mr. Green ties his Akron rubber unions to the American Federation of Labor. They have charters and they pay dues, by which tokens they may vote.

We shall come presently to some figures, but first let us attempt to shed some light on a host of unions formed by the American Federation of Labor since NRA plunged into our industrial arena.

The physical structure of the American Federation of Labor has been stated many times but it still is insufficiently understood. Employers who seek industrial relations policies that will not be upset should understand this structure, whether they are for it or against it, simply because it is a force with which they must deal or which they must combat. The National and International Unions are, of course, made up of local unions which are, in most cases, confined to workers in a stated trade or occupation, such as machinists, or carpenters. In the case of the United Mine Workers, the local unions include all employees "in and around" the mines. This is an industrial union, a vertical union within its field.

The Brewery Workers have enjoyed a similar field, but, in the baking industry, surely analogous, there are unions of bakery workers, and unions of drivers, while the skilled maintenance men belong to still other unions.

But aside from these unions, there are two types of local unions in direct affiliation to the American Federation of Labor itself. These were found necessary, if there was to be any organization work done in the vast field outside the jurisdictions of the National and International Unions. Office workers, for example, fall in this great outside field. Likewise newspaper reporters and editors are outside, although these once were claimed by the International Typographical Union, which, in its earlier days included all print shop workers.

One of the types of directly affiliated unions is called, simply enough, a local union. It includes workers who are all working at one occupation. A union of stenographers would be such a union;



Every code must grant employees the right of collective bargaining

and there are several. The other type is inappropriately named a federal union. It includes workers of many occupations. A union including in its membership the various classifications in a rubber plant at Akron would be a federal union. The American Federation of Labor constitution provides that, when there are a given number of such directly affiliated unions in any industry, they may apply for a national charter.

Most of the growth of the Federation under the NIRA has been by the formation of these local and federal unions, chartered directly by the American Federation of Labor. Here is found an important fact, not generally known, though there has been no effort at concealment. National and International Unions felt that the American Federation of Labor was intruding on their field in the formation of many of its new federal unions. In the last convention, held in Washington in October, a resolution was adopted which practically stopped the formation of federal unions. The National and International Unions simply demanded their jurisdictional rights. There was an undeniable slowing up of the wave of organization. But that same convention directed that a conference be held in Washington, to be composed of representatives of the National and International Unions, at which the question should be reopened. That conference was held at about the close of January. Strangely enough, the convention decision was reversed. Read here a portion of the findings of that conference, in a report of a committee headed by Matthew Woll:

Today we are confronted with an entirely new and novel situation, wherein provisions of the National Industrial Recovery Act express sympathy to the organization of wage earners but leave the subject of the form and method of organization entirely to the discretion of the wage earners without guide or direction, giving recognition to whatever form may be adopted for the moment, and without thought of ultimate consequences or reckoning. Employers have taken full advantage of this situation in the organizing and maintaining of company unions. Employers are granted every encouragement and aid under the law in perfecting their organization while, at the same time, they are denying the exercise of the same rights on the part of the workers and in keeping with the intent and spirit of the National Recovery Act.

It is in this sort of situation that the American Federation of Labor must assume leadership and take command in the organizing of wage earners in whatever form the temporary situation may demand or require and with the objective in mind of not only protecting and promoting existing National and International Unions in their structure and functioning and in the setting up and maintaining of their standards of employment, but in encouraging the formation of new National and International Unions where no such organizations now prevail.

It must be apparent that, in this endeavor of organization, conflicts of jurisdiction and claims of invasion of organization rights are likely to occur. If we are to meet the requirements of the moment we must accept such conflicts in the spirit of tolerance and, through proper procedure, correct such errors as have or hereafter may occur. After all, we must look to the Executive Council of the American Federation of Labor to serve in this capacity as never heretofore. In that spirit and in that thought we recommend:

First: That the work of organizing by and through National and International Unions, supplemented by that of the American Federation of Labor through federal and local trade unions, proceed with increased vigor and determination; that the fullest possible latitude be exercised by the Executive Council in granting federal charters and that where or whenever a temporary infraction of the rights of National

(Continued on page 84)

Uncle Sam Becomes Your Banker

By ARTHUR CRAWFORD Correspondent, Chicago *Journal of Commerce*

WHATEVER your walk of life, some government agency can help you meet financial problems. The table on page 25 shows to what extent the Government is in banking

DO YOU need banking accommodations?

Probably the Government through one of its numerous agencies can help you out, indirectly if not directly. The postal savings system has taken deposits for years, but other, more vast, organizations have been set up to make loans.

Are you in business? There are roundabout ways in which you can tap the funds of the Reconstruction Finance Corporation. If you are an old customer of a bank you are likely to find that the Government has become the controlling or at least an influential stockholder. If your bank failed to reopen last year, the Government is thawing out your deposits. The reorganized bank has the Government's guaranty back of it.

Suppose you are a manufacturer affected by a processing tax imposed by the Agricultural Adjustment Administration. The Government will lend you money to pay it.

Or suppose your business interests are in the export field. The new Export-Import Bank will finance your sales to Russia. Even before the present Administration you could borrow government money to construct ships with which to engage in foreign trade.

Perhaps you are a salaried householder who hasn't had much occasion to deal with banks except as a depositor. If you are in distress because of an overdue mortgage you can go directly to the Government or if you want assistance in building a home you can call on an agency which has access to government money.

If you are an industrial worker whose employment is none too sure you may be interested in a subsistence homestead. The Government will finance it.

You may happen to live in the Tennessee Valley area. When you buy an electric washing machine on the installment plan it will be charged on your monthly electric light bill but the Government will be financing it.

You may want to borrow on a life insurance policy. The insurance company knows it can borrow in turn from the Government if it needs to.

You may hold railroad securities on which you wish to realize cash. Their value has been enhanced by government loans.

As a war veteran and holder of a bonus certificate you are privileged to borrow on it from the Government.

Loans to local taxpayers

YOU have an interest in your city as a taxpayer. The municipality is borrowing from the Government to build a waterworks. The Government may market the bonds. Or if your city is in financial difficulties it will turn to the federal authorities for aid.

Or perhaps you are a farmer. The Government will lend you money to buy seed and to produce your crops. It will help the cooperative association through which you reach the markets. If you want to hold your cotton or corn, the Government will lend you cash on them at a price as good or better than the market would offer. You can refinance your farm mortgage through the Government. You can lump together miscellaneous debts for equipment, taxes and other items and, with a second mortgage on your farm as security, get enough money from the Government to pay them off.

The invasion of the banking business by the Government has been one of the developments of the depression. Now the ramifications are so great that, even after the emergency passes, Uncle Sam proposes to remain in the banking business much more than heretofore.

Twenty years ago the Government provided the initial capital for the land banks but so devised the scheme that the ownership was supposed to go eventually into private hands. The Federal Reserve Banks, created about the same time, have no government capital. A decade ago there was much opposition when the Government provided the capital of the intermediate credit banks for agriculture. It was a good deal of a shock to many people when the Government implemented the Farm Board with a $500,000,000 revolving fund.

Now the Government is in banking on such a huge scale that the Farm Board fund has paled into insignificance. It was under President Hoover that the Reconstruction Finance Corporation was launched early in 1932. Now with greatly expanded resources and with its life extended to February 1, 1935, its budget statements show a gross actual and prospective outlay for the three years from the early part of 1932 to the early part of 1935 of more than $7,500,000,000.

The Federal Deposit Insurance Corporation, which pledges the solvency of the banks of the country, not only has $150,000,000 of government money as part of its capital but may issue upwards of $1,500,000,000 of bonds which are to be guaranteed.

Of the $3,300,000,000 public works fund, about $750,000,000 may be in the form of loans.

The home loan program includes $2,200,000,000 for the Home Owners' Loan Corporation and $125,000,000 for capital of the Home Loan Banks which have a borrowing power limited only by the amount of mortgages which they can offer as security. Of these amounts, $325,000,000 is from the Reconstruction Finance Corporation.

The Farm Credit Administration which, under the Roosevelt Administration, has supplanted all previously existing agricultural credit agencies, has new resources of more than $2,300,000,000 exclusive of a few hundred millions allotted from the Reconstruction Finance Corporation. Outstanding and potential credit possibilities of the various institutions under the Farm Credit Administration, including indefinite borrowing power, represent a total of between four and five billions.

Over a period of three or four years

the banking activities of the Government are likely to represent a turnover of from 12 to 15 billions or perhaps more. The total during the current year may run from six to eight billions. These figures do not take account of the billions to be spent by the Government from public works and other funds for federal projects.

Largest bank

THE biggest governmental banking enterprise is the Reconstruction Finance Corporation. Its capital and borrowing power aggregate almost $5,500,000,000, in addition to which it may invest in preferred stock or capital notes of banks without limit.

Excluding advances to other government agencies and for relief, the Reconstruction Finance Corporation from its creation up to January 31 authorized total advances of $4,680,192,141.

When the Reconstruction Finance Corporation was established in 1932, the intention was that it should make loans to banks. There was no thought of its becoming a part owner of banks. The Emergency Banking Act of March 9, 1933, at the time of the national bank holiday, authorized the Corporation to buy preferred stock or capital notes of banks. The authority was used on a big scale during the latter part of last year as part of a program for strengthening the capital structure of banks.

By February 15, the Corporation had made commitments to subscribe to preferred stock and capital notes in 6,024 banks for a total of $992,605,000. It is expected that the total will be increased to $1,350,000,000 or more. The governmental influence in the banks cannot fail to be of a substantial character. The number of banks in the insurance system is less than 13,500 while the aggregate capital of all licensed banks on June 30, 1933, was about $2,900,000,000.

The Corporation has been trying to release frozen bank deposits in closed banks. Up to February 15, about $665,000,000 had been lent on assets of 1,960 closed banks. The total is expected to reach $1,000,000,000 in the next few months.

During the year prior to the bank holiday the Corporation poured out a large amount in loans to banks which were trying to keep their doors open in the face of adverse circumstances. Loans of this character have amounted to nearly $1,500,000,000, more than 50 per cent of which has been repaid.

Mortgage loan companies, for which the Corporation has allotted $200,000,000 for the current fiscal year, form one of the methods by which industry can obtain funds. The Corporation will make loans to such companies up to five times their capital. It has encouraged their formation by groups of industries. Any industry participating in such a company may borrow money on the security of a real estate or chattel mortgage.

To a limited extent, industries have obtained, through the banks, Reconstruction Finance Corporation money which is specifically earmarked for them. The Corporation will lend money at three per cent for relending at not more than five per cent if it is to be used to cover the actual cost of labor and the manufacture and processing of material or to assist merchants and others especially affected by the National Recovery Administration program. The Corporation has made a small amount of loans to cover agricultural processing taxes as authorized by law.

The railroads, having difficulty in financing their maturities and equipment needs through the usual banking channels, have obtained help both from the Reconstruction Finance Corporation and the Public Works Administration. Loans from the former have amounted to about $400,000,000 and from the latter to about $200,000,000.

Of the $3,300,000,000 public works fund, only about $820,000,000 has been allotted for non-federal projects. Besides the railroad loans, this amount includes about $572,000,000 in loans and grants to states, cities and other public bodies and $48,000,000 for low cost housing and slum clearance projects. Of allotments to public bodies, 30 per cent of the cost of labor and materials is in the form of a grant. Private corporations, which are eligible for loans to aid in the construction of projects devoted to public use and which are self-liquidating in character, are not entitled to the 30 per cent grant.

In financing states and municipalities, the Public Works Administration purchases their bonds. If it can be done successfully, the Public Works Administration proposes to sell these bonds in the market in small quantities. The purpose is both to replenish the fund and to commercialize the loan so that there can be no question of its repayment. At the end of February, the Public Works Administration had about $60,000,000 of bonds and expected to have about $500,000,000 eventually.

Thus far, President Roosevelt has resisted a movement to provide for direct loans to industry through the Reconstruction Finance Corporation. On the theory that industry has not obtained adequate credit from the banks, numerous bills have been introduced in Congress to broaden the Corporation's lending powers.

A proposal which has been given serious consideration by the Administration and by the Federal Reserve Board contemplates the creation of a new set of temporary industrial intermediate credit banks. There would be one in each Federal Reserve district. They would be attached to the Federal Reserve Banks and would have government capital.

The Export-Import Bank, chartered in the District of Columbia by President Roosevelt and the Reconstruction Finance Corporation, has an initial capital of $11,000,000. It has general banking powers but is confining its activities at the start to trade with the Soviet Union. It has power to endorse or guarantee transactions. It may borrow from the Reconstruction Finance Corporation or from ordinary banks. Two other export-import banks are contemplated, one to finance trade with Cuba and the other to deal with countries other than Russia and Cuba.

The home financing set-up of the Government is extensive. The Home Loan Bank system was established in 1932 under the Hoover Administration. A permanent reservoir of credit for home mortgage lending agencies was provided through 12 regional banks. Building and loan associations, cooperative banks, homestead associations, insurance companies and savings banks are eligible to own stock in the regional banks and to rediscount their home mortgages. The Government subscribed $125,000,000 for capital stock of the banks from funds of the Reconstruction Finance Corporation. Advances by the banks have amounted to about $100,000,000.

Refunding home mortgages

THE restrictions surrounding the Home Loan Banks have prevented them from giving relief in distress cases. Consequently Congress, in the new administration, created the Home Owners Loan Corporation under the supervision of the Home Loan Bank Board. This is an emergency agency which, for three years, may refund home mortgages by an exchange of its four per cent bonds, guaranteed originally by the Government only as to interest but, under legislation recently proposed by the Administration, as to principal also. The Corporation has a capital of $200,000,000 from the Reconstruction Finance Corporation and authority to issue $2,000,000,000 of bonds. The loans in the form of bonds, together with a limited amount of cash for payment of taxes, may aggregate 80 per cent of the value of the property or double the maximum loans which can be made through the Home Loan Banks. Loans of the Corporation up to February 15 totaled nearly $245,000,000, chiefly in bonds.

Home owners may obtain assistance also by membership in federal savings and loan associations, authorized by the Home Owners Loan Corporation Law to supplement existing building and loan associations. The Corporation will subscribe half of the capital stock of these associations. Through them several hundred millions of home mortgage credit may be made available.

Subsistence homesteads are financed

through the Federal Subsistence Homestead Corporation which has a revolving fund of $25,000,000.

Financing of consumer purchases of electric appliances in the Muscle Shoals area is being made possible through the Federal Electric Home and Farm Authority, a subsidiary of the Tennessee Valley Authority. With a capital of $1,000,000, it proposes to provide up to $10,000,000 of credit.

The Farm Credit Administration is a permanent agency. Through the far-flung group of institutions under its supervision the Government will remain in the banking business on a much more extensive scale than formerly.

The Farm Credit Administration is divided into four divisions: The land bank division through which is handled the program for refinancing farm mortgages through a $2,000,000,000 government guaranteed bond issue and also for refinancing unsecured debts through second mortgages. The intermediate credit bank division. The production credit division embracing a new system of 12 regional production credit corporations under which are hundreds of production credit associations. The cooperative bank division with a brand new chain of banks financed with what is left of the old Farm Board fund. Against the inclination of the Administration, Congress enacted a $40,000,000 emergency seed loan bill which President Roosevelt, in signing, said he hoped would be the last of its kind.

While the Farm Credit Administration originally absorbed all agricultural activities of both the Reconstruction Finance Corporation and the Department of Agriculture, including the Regional Credit Corporations of the former and the Crop and Seed Loan offices of the latter, these two governmental branches have since collaborated in creating independent credit machinery. The Commodity Credit Corporation, financed by the Reconstruction Finance Corporation, at the instance of the Agricultural Adjustment Administration of the Department of Agriculture, has pegged the price of cotton and corn through loans to farmers. It has been allotted $500,000,000 for the current year. Its loans amounted to about $150,000,000 by February.

The mushroom growth of governmental banking activities has gone forward with but little protest. Many have deplored the trend but have felt it could not be avoided under existing conditions.

Banking Subsidiaries of Uncle Sam

RFC has capital and borrowing power aggregating almost $5,500,000,000. In addition it may invest in preferred stock or capital notes of banks without limit. Its gross outlay to early 1935 is estimated at $7,500,000,000. It has lent money to:

- banks and trust companies, including closed banks
- building and loan associations
- insurance companies
- federal land banks
- joint stock land banks
- livestock credit corporations
- mortgage loan companies
- regional agricultural credit corporations
- other agricultural credit corporations
- railroads, including receivers
- processors or distributors to pay processing taxes
- state funds created to insure deposits of public moneys
- to aid in financing self-liquidating construction projects
- to aid in financing the sale of agricultural surpluses in foreign markets
- to finance the carrying and marketing of agricultural commodities and livestock produced in the United States
- to drainage, levee, and irrigation districts
- purchases of preferred stock, capital notes and debentures.

FCA has a far-flung group of institutions under its supervision. It has $2,300,000,000 of new funds plus a few hundred millions from RFC. Adding loans still outstanding from past years and borrowing power, its credit possibilities run to between four and five billions. Its four divisions are:

- Land Bank Division for refinancing farm mortgages and unsecured debts
- Intermediate Credit Bank Division
- Production Credit Division
- Cooperative Bank Division

PWA has a fund of $3,300,000,000 of which about $750,000,000 is in loans:

- to railroads for equipment
- to states, cities, and other public bodies
- for low-cost housing and slum clearance

FDIC has $150,000,000 government money and may issue upwards of $1,500,000,000 of bonds guaranteed by the Government.

TVA lends through its subsidiary, Federal Electric Home and Farm Authority, which, with a capital of $1,000,000 proposes to provide up to $10,000,000 credit for purchase of electrical equipment in the Tennessee Valley.

Home Loan Bank system (with $125,000,000 of its capital subscribed by RFC) offers facilities for rediscounting home mortgages.

HOLC (under Home Loan Bank Board) may refund home mortgages through its four per cent bonds. It has capital of $200,000,000 from RFC and authority to issue bonds of $2,000,000,000. HOLC will subscribe half the capital stock of federal savings and loan institutions.

CCC (financed by RFC at instance of AAA) has been allotted $500,000,000 for current year to peg price of cotton and corn through loans to farmers.

Export-Import Bank (initial capital $11,000,000) has general banking powers but is confining its activities to stimulating trade with the Soviet Union. A separate bank will finance trade with Cuba and still another bank with other countries.

Federal Subsistence Homestead Corporation has a revolving fund of $25,000,000 to encourage homesteading.

In addition to the above loans made during the depression by governmental agencies, the Government has war-time loans outstanding to railroads and to others through the Emergency Fleet Corporation and the War Finance Corporation. Since the war, loans have been made through the Shipping Board, under the Agricultural Marketing Act, and on veterans' bonus certificates. The land banks date back to the period just before the war and the intermediate credit banks to the period shortly after the war. On the other side of the banking picture is the postal savings system acting as deposit banks.

What Makes Electricity Cheap

By HENRY I. HARRIMAN President, U. S. Chamber of Commerce

I AM very much in sympathy with the present-day urge for cheap electricity. Anyone who appreciates what electricity means to the social and industrial life of this country, and who has any breadth of imagination as to its future, cannot fail to be something of a crusader for the better day when the consumer can enjoy really low price electric current. Every public utility executive will, I am sure, agree with me in this statement.

It is easy to get support for the idea of cheap electricity. The difficulty lies in the utter lack of public understanding of the problem itself, and of the factors that affect the cost of electricity, whether used in the home or in the factory.

Cheap electricity cannot come from eliminating or reducing dividends. It will come only when the efficient public utility makes clear to the consumer how by cooperation between the utility and the consumer, low costs can be obtained.

A good many years ago, the invention of the electric meter placed the sale of electricity upon a commodity basis. Before that electric service was sold at a flat monthly rate. Possibly from the viewpoint of public understanding of the rate problem, it is unfortunate that utilities, in searching for the ideal rate structure, entirely lost track of the flat charge idea. They attempted to express charges for every type and class of service in terms of kilowatt hours and rate structures frequently became so complex that even the utility men had difficulty in understanding them.

Consumers are accustomed to paying a uniform unit price for most of the goods which they purchase. They buy potatoes at so much a peck, and sugar at so much a pound. Why not, therefore, buy kilowatt hours at a standard unit price?

Water, gas and electricity, however, cannot be merchandised economically at flat unit rates, because of the special conditions under which they must be delivered to the customer. Potatoes and sugar are brought by the truck. If the truck is not busy in delivering these articles to one customer, it can be delivering them to another. But the delivery of water, gas and electricity requires an investment in pipes, wires and other facilities which can be used only for their delivery to a definite customer or groups of customers. This investment is worthless if no service is delivered to the consumer for whom it has been installed. The investment for the production and delivery of electricity is even more distinct and individual than for water and gas. When water is not required, it can be stored in reservoirs. When gas is not being used, it can be held in holders. Electricity, however, must be made and generated at the instant the customer requires it. It cannot be stored, and it cannot be made and held in reserve, even for the shortest period of time.

Cost categories

ELECTRIC cost can be divided into three categories:

1. Fixed Charges
2. Actual Generating and Distributing Costs and
3. Supervision and Management.

No exact figures can be given for the capital investment in generating plant, lines, and transformers required for the delivery of a kilowatt of energy. The investment will vary with the type of load, whether underground or overhead transmission lines are required, whether the generating plant is a steam plant or a hydroelectric plant, and with many other factors; but in most instances, it has been found that an investment of $350 per kilowatt is necessary to generate and deliver a kilowatt of energy, and that the fixed charges of this investment, covering interest, taxes, depreciation and maintenance, amount to about 11 per cent, or $38.50 a year. Each kilowatt of generating capacity can theoretically deliver energy at that rate per hour, or for 8,760 hours per year. If the actual average output of the system were one kilowatt hour per year for each kilowatt of capacity, it is evident that the fixed charges per kilowatt hour would be $38.50 a year. On the other hand, if the output of the plant could be stepped up to 8,000 kilowatt hours for each kilowatt of capacity, the fixed charges would be less than five mills per kilowatt hour.

I have given these two extreme cases to show the dominant effect which the use made of each kilowatt of capacity has upon the price of electricity. No plant runs as low as one kilowatt hour per year per unit of capacity; none except a few electro-chemical plants, can hope to approach the 8,000 kilowatt hour mark—but it is possible to increase greatly the use of our utilities' equipment and thus to reduce the cost of energy to our customers. If, therefore, low cost electricity is desired, it will be chiefly attained by increasing the consumption of energy.

I can illustrate this principle of decreased cost with increased use, by citing another instance with which we are all familiar. Your automobile represents an investment of anywhere from $500 to $5,000. Its turn-in value after five years is negligible—so that, depreciation and obsolescence must be figured on, let us say, a basis of 20 per cent a year. To this, add interest, insurance, taxes, registration, etc., and you have fixed annual charges, amounting to approximately 25 per cent or 30 per cent on the investment. If you run your automobile 1,500 miles a year, your fixed charges amount to a certain cost per mile. If you run the car 15,000 miles a year, your fixed charges per mile are ten per cent of the former figure. Today, the average residential customer for electric service consumes 600 kilowatt hours a year. If he were to consume 6,000 kilowatt hours a year, the fixed cost of the investment made for his benefit would be one-tenth of what it is today, expressed in kilowatt hours, and neglecting for the moment certain small increases to investment and operating costs necessary to render the additional service.

Of course, other costs besides the fixed charges which I have outlined enter into the unit price to the consumer. While these do not always decline directly as consumption increases, they do become much lower with increased use.

In general, it may be said that, with the use of 600 kilowatt hours per year per household the fair costs of electric energy to such householders is from five to seven cents per kilowatt hour.

But let us assume that by the use of electric appliances, such as vacuum cleaners, electric ranges, electric-driven oil heaters, electric hot water heaters, electric ice boxes, electric air-conditioning systems, etc., etc., the use of electricity per household can be increased from 600 kilowatt hours a year to 1,200 or 1,500 or even 2,000 hours per household, and it can well be seen what a

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Charting the Course of Business . . .

Make haste slowly . . .

★ THE President startled the country on February 9 by cancelling all air mail contracts with private companies and turning the air post over to the Army. Rarely has a President of the United States made a more dramatic gesture. A startled, puzzled public questioned the justice of the proceeding, wondered if the private companies had had a fair hearing, then contented itself by saying, "The President must know more than he told the public."

Followed then a series of fatal accidents to army pilots flying the mail and the public was again aroused. "Was this loss of life necessary? Was the Government too hasty?"

Questions to which there can be no immediate answers and perhaps never a final answer. Weather conditions were bad, the army fliers may have had only the ill fortune that would have befallen the pilots of private companies. Yet there was public unease.

It was the custom in the last days of the Hoover Administration to protest against inaction, to say "He moves too slowly." When a new President succeeded and drove through the Recovery Act, the Public Works Act and the dozen other measures designed to check deflation, there was a cry of relief. "Thank Heaven, we have a President who *does* something."

For many of the things that have been done business is grateful. As to many of the things that are proposed business is doubtful. Should men's means of existence be imperilled because a professor has a new economic or social idea? The subsistence homestead had a fine purpose, but its first project imperilled an existing industry employing hundreds of men. There may be evils in the present methods of our stock exchanges but is it necessary to jam through a bill, hastily conceived and poorly thought out, which would gravely affect not only those who buy and sell shares but the welfare of thousands of companies which must have a free and open market for their bonds and shares?

Isn't it time to make haste slowly, to remember that we have not only cotton growers, but cotton weavers and cotton wearers and that all of them have rights?

Earning $100,000 . . .

★ THE public mind, scanning the list of salaries of corporation executives made public by the U. S. Senate recently is apt to have these reactions:

First, nobody can earn $100,000 a year.

Second, nobody needs $100,000 a year.

The first assertion is controvertible; the second is a matter of definition. Certainly no one needs $100,000 to support himself and his family in luxury.

What are some of the factors that help to make large salaries?

One is competition for executive ability.

Another is measurable earning power of the salaried individual as reflected in the company's record.

A third is the stimulus to better work both by the person receiving the salary and by others hoping for advancement.

Competition is a readily recognizable factor. Railroad A, a small road has a young president who has demonstrated ability and who gets $50,000 a year. Railroad B wants a president and offers $75,000 a year.

There probably isn't a considerable corporation that isn't looking for better ability and not merely willing but eager to pay a high price for it.

What about the measurable earning power which justifies large salaries. Obvious cases are of sales management where an executive might stipulate that his salary should only be payable if a certain level of sales shall be reached. Or of a production manager whose income depended on reducing costs and increasing production. It has been frequently reported that Arthur Brisbane took the editorship of W. R. Hearst's first New York paper with the provision that his salary should be in proportion to the gain in circulation. It is a saga of business that Norval Hawkins was to get a dollar a sale for devising ways of selling Ford cars and netted a million or so a year. There are dozens of cases where chapter and verse can be cited to prove that high salaries are earned.

High salaries and the hope of high salaries are defendable on the ground that they serve to stimulate better work, that they quicken the pulse of the executive. That doesn't mean that men work only for money, but that money is a measure of success in business and the most tangible and understandable of all measures.

The next time some one starts to inveigh against high salaries ask him first if he is contending that such salaries cannot be earned or that such salaries are out of proportion to human needs and wants.

In that new social state toward which we may be heading, salaries and wages may be adjusted on what human beings can spend or even on what human beings should spend. Until that time, some will earn more and will get more—much more—than others and in most cases it will be because they are worth more.

Government meddling . . .

★ ONE point of view that wasn't heard often enough in the discussion of salary exposures was: "By what right does the Government of the United States inquire into the salaries which corporations pay their managers? It is the business

of the stockholders and their representatives, the directors on the one hand and of the executives on the other."

However, a dozen or so companies were courageous enough to tell the Federal Trade Commission that they did not purpose to put salaries of officers on record until some higher authority had passed on the Commission's right.

Comparing European salaries . . .

★ DISCUSSION of high salaries and their justification is no new thing. Prof. F. W. Taussig and W. S. Barker made an inquiry into "American Corporations and their Executives," some results of which were published in the *Quarterly Journal of Economics* in November, 1925. In comparing the common European method of small salaries supplemented by a percentage of earnings divided among the officers, Professor Taussig said:

> It is part of the American tradition to pay very high salaries—much larger than are known in Europe—to men of very high ability. The executive may be content to bide his time, assured that sooner or later he will receive remuneration, in his present position or in some other, on the basis of his achievement. And he is relieved of a certain uneasiness, and of any temptation to follow a cheese-paring policy. He is free to develop large plans and to wait for ultimate results.

Regulation by taxation . . .

"He could distinguish and divide
A hair 'twixt south and southwest side."

★ SO CAN Senator Robert F. Wagner of New York. He has introduced a bill which is quite commonly known as the "Wagner unemployment insurance bill," but which when you come to read it is labelled "a bill to raise revenue by levying an excise tax upon employers and for other purposes."

And so it is. It taxes pay rolls five per cent but the employer may credit against the tax amounts paid into state unemployment reserve funds provided those reserve funds meet the standards set up by the bill.

In other words the employer who doesn't like the Devil of a five per cent levy on his pay roll can plunge into the Deep Sea of a state unemployment fund. Furthermore, if his state has no such fund, he might better see that it sets up one rather than drop his five per cent into the Bottomless Pit of federal finances.

Senator Wagner doesn't approve, or his advisers do not approve, of insuring against unemployment in private companies so the employer, if he would escape the federal five per cent, must see that his state law "prohibits every employer . . . from . . . insuring his liability to pay compensation in any private insurance company organized or operated for profit."

Similarly the Senator aims a blow at company unions, for state laws, to pass muster, must provide "that no otherwise eligible employee shall be denied compensation for refusing to accept new work . . . if acceptance would require the employee to join a company union."

Official propaganda only . . .

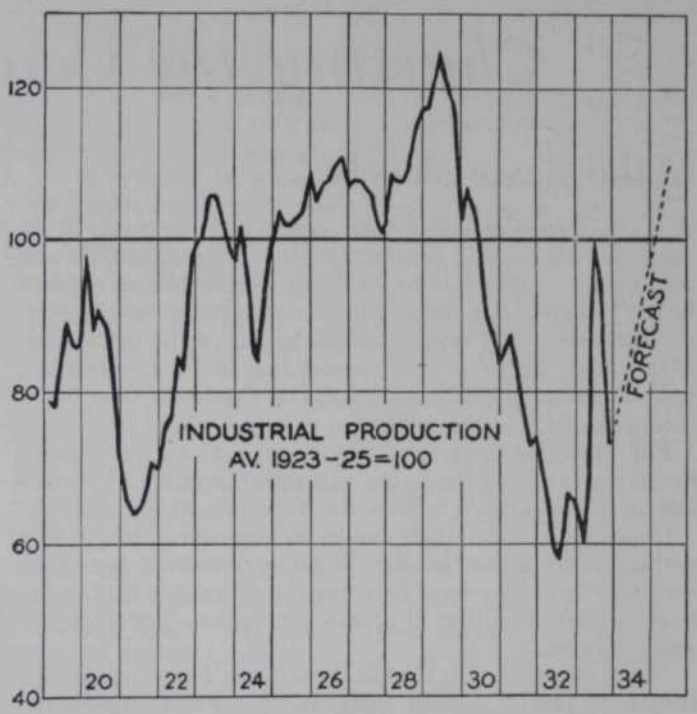
★ THE Fletcher-Rayburn bill to bring under federal regulation the stock exchanges of the country was launched with the publicity that accompanies the introduction into the Congress of an important bill. The New York Stock Exchange analysed the bill and proceeded to use such means of publicity as it had at its disposal to point out the features of the bill that were unfair not only to the exchanges but to business and the public.

Thereupon the Senator in charge of the bill demanded an investigation of the "propaganda" used by the Exchange in opposition to the bill. A strange world in which it is fair for the Government to attack and unfair for the citizen to defend!

"Orthodoxy," said Bishop Warburton, "is my doxy. Heterodoxy is another man's doxy."

Forecasting another 1929 . . .

★ COL. LEONARD P. AYRES of the Cleveland Trust Company, in a recent bulletin of that bank, undertakes to put the President of the United States on record as a business prophet. The prophecy is found in his budget message of January 3 in which the receipts for the fiscal year 1934 were estimated at $3,250,000,000 and for the fiscal year 1935 at $4,000,000,000. These estimates were based on the Federal Reserve Board's index of production which, for the fiscal year '33, was 67 and was estimated at 81 for the fiscal year '34 and at 98 for the fiscal year '35. Col. Ayres proceeds to draw not a deadly parallel but a deadly chart with this result:



This, the figuring Colonel points out, would be a gain of two points a month for 18 months. We did move up as fast or faster than that in the first half of '33 but that was followed by a rapid drop. A similar one took place in '21 and '22.

If the "forecast" of the Reserve Board should prove true and continue we should be close to the 1929 level by the end of the next calendar year.

Responsibilities of business . . .

★ SECRETARY ROPER of the Department of Commerce went to New York to talk to the League for Political Education about the Social Responsibilities of Business.

"Good business," he said, "recognizes that it is no longer justifiable . . . to seek money profits alone . . . it must make a definite and equitable contribution to the society upon which it must depend for an existence."

NRA, said the Secretary, is engaged "in enlarging this concept of responsibility in all lines of business" and if business doesn't cheerfully develop its social consciousness and make money-getting a secondary issue, then business must be forced into line. The utilities have been regulated and "it is felt (Secretary Roper leaves us in doubt as to just who feels it) that all employers of labor have a quasi-public responsibility and it may be considered in the interest of both business and the public *to seek permanent controls on business not dissimilar in results to those of the utilities.*"

The Secretary went on to say that he did not mean that the Government would pursue such controls. Business he thought will cooperate to do it. Moreover he could not conceive of

the Administration planning "to increase permanently bureaucracy and federal control of business to the extent of destroying our economic system by eliminating profits in business and thus submerging and imprisoning human initiative."

Yet there is something shocking in the idea that all employers of labor—and that is all business—may be subject to "permanent controls," as the utilities are. Outstanding among the controls of utilities are the requirement of approval of prices by a political board and the requirement of certificates of use of convenience before new utilities may start up. Moreover, there enters into the control of utilities the question of monopoly which does not affect "all employers of labor." Is it conceivable that such "controls" are to be applied to all business, that a man who sees an opportunity to make money by manufacturing bathtubs or fountain pens must get the Government's consent before he starts? Certainly it is not American.

Capital or consumers' goods . . .

★ THE line between capital and consumers' goods is at best an uncertain one. The committees which have been found to represent the two classes in dealing with NRA form a tentative classification. Here are the industries represented:

Capital	*Consumers' goods*
Locomotive manufacturers	Cotton textiles
Electrical manufacturers	Men's clothing
Automobile manufacturers	Tobacco
Furniture manufacturers	Bituminous coal
Shipbuilding	Automotive parts
Machinery	Ice
Construction	Food manufacturing
Iron and steel	Paper
Farm machinery	Wholesale
Construction materials	Shoe manufacturing
Gray iron	Retail
Fabricated metals	Chemicals
Construction equipment	Food and groceries
Lumber	Drugs
Machine tools	Shoes
Steel castings	Silk
	Wool
	Hosiery
	Rubber manufacturing
	Glass
	Soap
	Food
	Advertising novelties

Bituminous coal and chemicals are classed in the consumer group while automobiles and furniture come under capital goods. The divisions might more exactly have been called durable and less durable.

Killing business with taxes . . .

★ THE President's "crossroads" speech at the NRA town meeting on March 5 gave this "challenge" to industry:

"It is the immediate task of industry to reemploy more people at purchasing wages and to do it now."

A desirable goal with many complications. For example, one is how can it be reached when the burden of taxation grows and in growing keeps men from purchasing the goods to be turned out by these "more people at purchasing wages."

The automobile industry is a case in point. It has made long strides toward recovery and as its sales have grown, a hundred other industries have been helped. But at the same time government, federal, state and local, has kept piling up taxes on gasoline to the point where the car owner increasingly wonders whether he can long afford to drive his car.

Look at the figures! In 1933 taxes on gasoline were $716,000,000 while the value of cars and trucks produced last year was less than $800,000,000. The average gasoline tax is around 5½ cents a gallon, about a third of the retail price.

Can an industry so burdened do its best in the industrial recovery of the country?

In 1929 the motor vehicle registrations in this country were 23,100,000; in 1932 they were 20,900,000 a drop of nearly 10 per cent. In the same year the state gasoline taxes alone were up from $430,000,000 to $513,000,000. Depression, unemployment explain part of the drop in registrations, but how much was that drop hastened by growing taxation?

Nor can it be pleaded that a gasoline tax is a luxury tax or a tax on the rich. There are hundreds of thousands of men, who can by no stretch of the imagination be called rich, to whom the automobile is an essential part of their daily lives.

Management by commission . . .

★ BECAUSE the depression indicates that some changes are necessary, some people believe that everything ought to be changed. Communication services of this country are the best in the world. They have been built up by the companies that now operate them. There have been no scandals in their management and there seems no particular reason to disrupt their methods.

The President, in his message to Congress, recommended that a new commission be created to regulate the communication systems, chiefly because the regulatory powers over these are now so scattered that it would be more effective to concentrate them. He also asked Congress to authorize the new commission to study the companies and make recommendations for additional legislation if it found legislation necessary.

The bills introduced in response to this recommendation did not content themselves with doing what the President asked nor wait for the investigation which he recommended. The bills would inject the new commission into the management of these companies.

Section 214 says, "No carrier shall undertake the extension of its lines or circuits without a permit from the commission." This is obviously a management problem. To relegate management to a position of advice in these matters and give the commission the authority to authorize and veto would obviously interfere with the smooth working of the communication systems.

Section 215 provides that the commission may examine any previous or future transactions by any common carrier which relate to the furnishing of equipment, supplies, research, services, finances, credit, or personnel to such carrier. After this, if the commission doesn't approve the transactions, it can declare them void. This means that, whatever these companies have bought, whatever research they have done, whatever financing they have done, whomever they have hired, either in the past or future, the commission might void their action.

The bills provide further that those communication systems which have manufacturing plants themselves can buy nothing from these manufacturing plants without an order from the commission. This would make it necessary for the commission to set up a duplicate set of financial, engineering, and purchasing departments more or less equivalent to those of the companies.

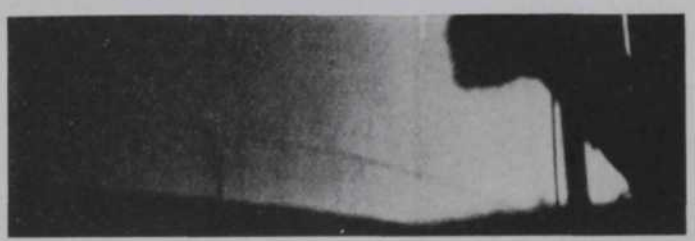
Several other provisions of the bill are equally undesirable. These provisions would seem to indicate a desire to disrupt communications by injecting the commission into the midst of managerial detail.

Certainly no experience that we have had indicates that a kind of hybrid management by private enterprise under commission veto would be effective. If it is necessary to do anything in this field, certainly that something ought not to go further than the recommendation of the President. Most certainly there is no reason to enact measures hurriedly which threaten the efficiency of highly and delicately organized enterprises.

"Taxless"



EIGHTEEN hundred municipalities are selling light and power to their citizens and some 50 or 60 are selling gas service



THERE has been a large amount of publicity in the newspapers about those modern Utopias known as taxless towns. More than 60 of them are said to exist in this country and, naturally, at a time when business is blaming the drought in profits and dividends on overtaxation, serious inquiries about these phenomena are numerous.

Organizations like the United States Chamber of Commerce get a steady flow of letters from people who wish to know the facts.

"Is it really true that Blankville levies no taxes at all?"

"By what means is the scourge of taxation thrown off?"

Boosting municipal ownership

SUCH inquiries cannot be answered categorically. There is too much mobility about the issue. Moreover, any discussion of taxless towns must ultimately become a discussion of municipal ownership of utilities because the object of the taxless town propaganda is to further municipal ownership. A definite campaign is afoot to promote this particular type of government in business.

Whether one likes it or not, 53 per cent of the electric light and power establishments reporting to the Bureau of the Census in 1932 were owned by municipalities engaged in selling light and power to their citizens. Although the electric energy output of these municipal enterprises was under six per cent of the total generated, they served more than 11 per cent of all electric utility customers.

Municipal ownership of water works, electric light and gas plants, telephone plants, street railways, ferries and other so-called public utilities is generally recognized as legal under authority given by state charters. The courts have generally identified this right with the public functions of a municipal corporation. Exercising the right is purely a matter of choice.

If the inhabitants of any city, town or district prefer municipal ownership to private ownership that in itself is a sufficient reason. Furthermore, it is a fact that some municipalities have provided certain of these services in a highly efficient manner.

Run in a businesslike manner

WHERE such efficiency occurs, management is in the hands of commissioners of recognized business ability, sound business methods are practiced and records of operation, income and expenses, assets and liabilities are kept current.

The departments function without political interference, aided by virile local interest and pride in the enterprise. No one but the voter is qualified to judge whether circumstances such as these can be assured for his community.

Even if they can, there is little prospect for emancipation from the tax collector.

Ask a protagonist of "taxless-townism" about tax delinquencies, tax sales and tax levies in taxless towns and he hastily explains that "taxless" doesn't mean taxless. It means only partially so.

To illustrate, the tax levies per $1,000 of assessed valuation in Oklahoma City for 1932-33 were:

City		$16.78
	General Fund $3.05	
	Sinking Fund 13.73	
School		17.756
County		7.864
State		3.345
		$45.745

If Oklahoma City were claiming a place among tax-free cities—which it is not, neither has it a municipal light plant—this would mean only freedom from the general fund levy of $3.05 out of the $45.745 total. So far so good.

Now we come to the question, "How is this freedom from taxes attained?"

The taxless town idea does not contemplate that any of the functions of municipal government are to be discontinued, or that they are not to be paid for, and, as a matter of fact, paid for by practically the same citizens who pay the remaining tax levy.

The funds are merely raised in a different way and paid through a different channel.

Oklahoma has most taxless towns

THE "taxless town" slogan reduces to a contradiction. I decide to buy fresh eggs from a local dairy instead of from my grocer. This wipes out the egg account on my grocery bill, so I boast that I have a groceryless budget, all the while paying the dairyman for the eggs.

Instead of levying a tax for general municipal purposes, funds for running the local government are raised through

Towns Aren't Taxless

By DAVID J. GUY Hydro-Electric Engineer

what amounts to an excise tax on electricity, gas or some other public service, labeled "profits" and transferred to the general city fund. This, in a few words, is the taxless town idea.

Of these so-called taxless towns, a recent list shows that 56 are in Oklahoma, two in Kansas, two in Wisconsin and one each in Michigan, Iowa, Vermont, Minnesota, New York, New Jersey, Wyoming and Washington. Obviously then, the taxless area centers in Oklahoma. What are the facts concerning these Oklahoma towns?

Fewer towns are now tax free

EXAMINATION of the facts available shows that from the view-point of power and light operations, 21 municipalities must be dropped from the Oklahoma list since they operate no such utilities, and consequently cannot claim to be tax free on that account.

Nine more of those 56 Oklahoma cities actually levied a tax for local city government in 1931-32. These did not, therefore, qualify, regardless of their earlier tax history. Of the 26 Oklahoma cities remaining, 14 own and operate municipal power plants and distribution systems; ten own and operate light and power distribution systems; one owns and operates a gas distribution system and one has private and municipal service.

In addition to the 26 municipalities referred to above, Oklahoma had 20 municipal power plants with distribution systems, 18 municipal light and power distribution systems only, and seven municipal gas distribution systems. None of this larger group appears to have made any pretence of being tax-free.

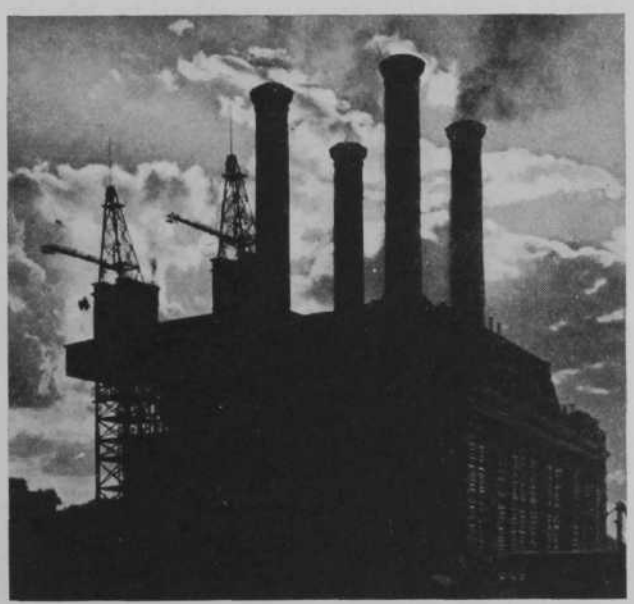
Oklahoma's "tax-free" cities with municipal ownership have, collectively, a population of 85,000, and an assessed valuation of $48,000,000 in round numbers. The significance of the general fund levy from which their citizens have been "freed" may be determined from the following analysis of average conditions throughout the state:

In 1931-32 the tax levies for the general city fund in 484 Oklahoma municipalities varied considerably as the following table shows. A three to five mill tax predominates and it seems a fair approximation to credit the tax-free municipalities with having shifted a four mill tax on an assessed valuation of $48,000,000 to their light and power consumers. The funds thus raised would amount to $192,000 for the year, or approximately $2 per inhabitant.

GENERAL FUND TAX

In 82	Municipalities—	less than 1 mill
" 9	"	between 1 and 2 mills
" 13	"	" 2 " 3 "
" 42	"	" 3 " 4 "
"244	"	" 4 " 5 "
" 14	"	" 5 " 6 "
" 56	"	" 6 " 7 "
" 24	"	7 mills or more

This apparent tax relief is not without qualification. The taxable property of a private utility has been displaced by the non-taxable municipally-owned property.



THE object of the taxless town propaganda is to further municipal ownership. A definite campaign is afoot in this direction



If there were no municipally-owned utilities, the service would be rendered by a privately-owned utility, with taxable property. Take, for example, the City of Ardmore, Okla., in 1931-32, the electric power company paid $41,273.15 in taxes, divided as follows:

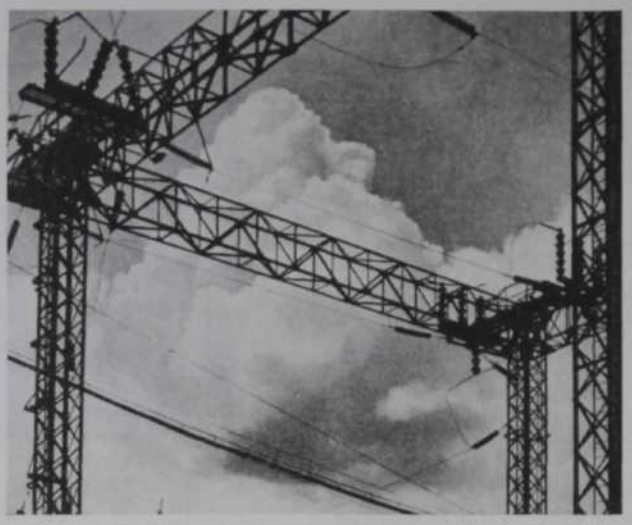
City	$13,134.02
School	16,592.24
County	8,733.83
State	2,813.06

Ardmore has a population (1930) of 15,741, so this tax amounts to a *per capita* payment of $2.62. Thus the *per capita* tax loss, had there been municipal ownership, would have exceeded by more than 30 per cent the average *per capita* cost of general municipal government in Oklahoma which normally is covered by the general fund tax. Of course, this tax payment did not all go to the general city fund, but went into the sinking fund, school, county and state funds as well. However, it reduced proportionately the taxes that Ardmore citizens would otherwise have paid directly into those funds. Incidentally, the tax paid by the power company in Ardmore is equivalent to an assessment of 3.85 mills on the city's assessed valuation,

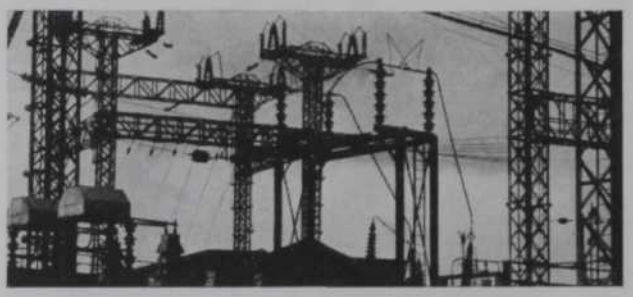
whereas the city's actual tax levy for the general fund was only 3.75 mills. To use the "tax-free" slogan, Ardmore was tax-free by 103 per cent because of private operation. Tax exempt property and tax exempt securities resulting from municipal activity in business enterprise actually adds to the tax burden of other local property privately owned. Capital costs offer another interesting field of inquiry for the citizen who visualizes tax relief through municipal ownership. The fact that the local citizen is owner, operator, investor, consumer and taxpayer all in one is frequently overlooked.

In the customary handling of municipal utility accounts, investment costs appear in three ways—interest charges on the bonded indebtedness, plant retirement, and plant extension. Consistent effort is made to hasten retirement and thus eliminate the payment of interest.

Once this is accomplished, consumers are said to have attained one of the outstanding advantages of municipal ownership. The plant is finally their very own and henceforth costs nothing. Herein lies a great fallacy. What has actually happened is this:



FIGURES show that actual direct taxation is lower in cities with private power plants than in places with municipal plants



Advancing capital

THE consumers are no longer borrowers of capital but have actually advanced the capital out of their own pockets. Whereas they were originally borrowers, then both borrowers and lenders, they have finally become merely lenders. While they need no longer pay the interest to the light department in rates, they must still include the interest item if they would know the total cost of the service to them. The same money, under a Christmas savings account, would accumulate to the credit of the consumer and have an earning value.

An example will make this clear:

In Skaneateles, N. Y.—one of the towns on the "taxless" list, population 1,882—the average revenue per kilowatt hour sold by the municipality was 3.06 cents (1928 data) and the cost of the service, with no allowance for interest and taxes, was 2.27 cents, leaving a profit of .79 cents —or, in all, about $9,000 which was available for transfer by the light plant to the town to offset a direct tax for general city government and make the town "tax-free."

Since there was no outstanding indebtedness against the light plant, the $9,000 was net profit.

But the light plant's fixed assets ammounted to $91,897 which has been bought and paid for by the citizens either through rates or taxes.

This means that every citizen in Skaneateles has a paid-up investment of $50 in the light plant. For a family of five, this amounts to $250. Will anyone contend that such an advance of capital to the city by the average family was not made at some sacrifice and would not have earning value if otherwise invested?

If this earning value is taken at six per cent, then the light plant should have returned to the citizens, in payment of the use of their money, a total of $5,500.

Moreover, had the system been privately owned, taxes would have been paid by the utility company amounting to $3,500, assuming taxes to be approximately ten per cent of gross revenue.

This seems to indicate that the Skaneateles plant, in making a $9,000 profit only met its reasonable obligations to the citizens it served.

A similar study of Chanute, Kans., shows that the average operating "profit" of the municipal electric plant for the years 1928-31, inclusive, appears from annual reports of the city to have been $70,000 in round numbers. Half of this amount should be deducted to cover lost taxes and plant depreciation, leaving a net profit of $35,000 or 6⅓ per cent on the paid-up investment of the citizens in the enterprise.

Fair return only

THESE returns on investment used for general city purposes unquestionably reduced direct taxes but the necessary direct tax could have been paid as well from earnings of that capital if invested otherwise, and 6⅓ per cent seems conservative for the four-year period considered. Chanute met general city expenses, and contributed toward numerous city projects from this "profit." Again we see the "tax-free" illusion.

The "tax-free" claim, with its municipal ownership parenthood, warrants a tax comparison more inclusive than that covered under general city levies.

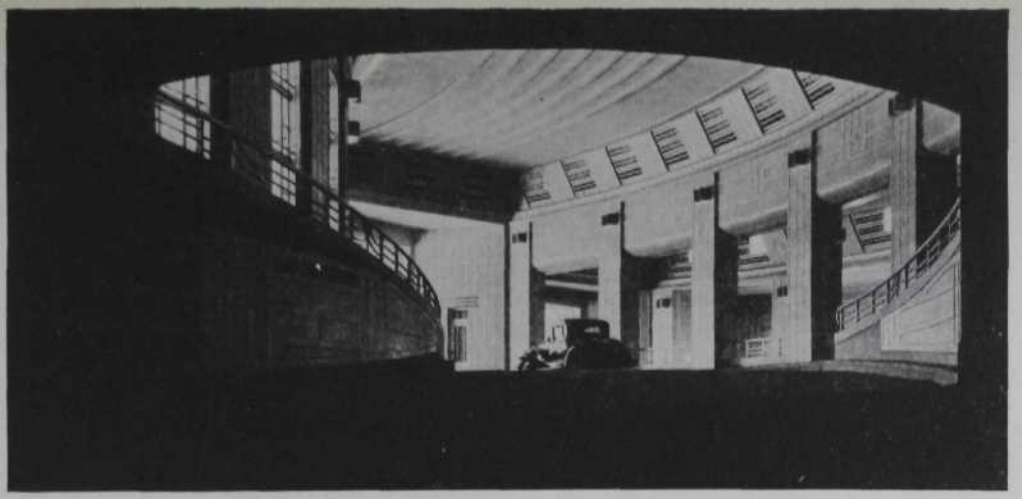
With the taxless towns, we have allegations and contradictions—First, that municipal ownership renders towns taxless; second, that "taxless" doesn't mean taxless at all; third, that once taxless doesn't mean always taxless; fourth, that utility ownership has nothing to do with being taxless.

The taxless town is not an end in itself. Those who have coined and broadcast the slogan care little about tax problems. Their objective is to spread municipal ownership.

No out and out proposition for lifting one's self by one's bootstraps gets credence with discerning people. But season the proposition with a little science or economics or philosophy of government, supported by some plausible arguments, and it can often get a hearing for a considerable time. Beware of painless tax extraction.

Beware, also, of the much advertised "profit" from municipal utilities' operation.

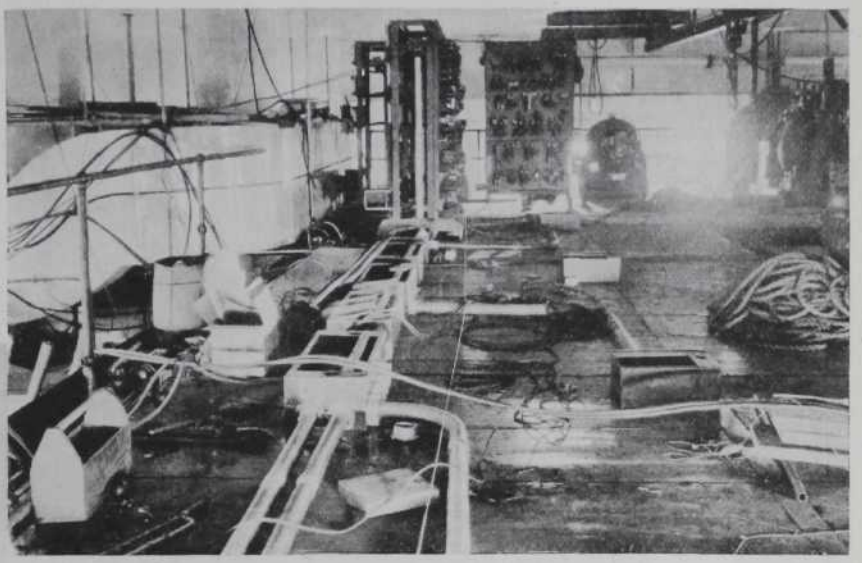
When all the costs are counted, including full interest allowance, full allowance for tax losses, full allowance for addition to sinking fund taxes, proper allowance for administration costs and depreciation of property, and use of other municipal property, the municipal utility "profit" illusion may also be discernible.



This driveway of the Cincinnati Union Terminal is faced with terra cotta in a new form

New Bidders Compete for Old Jobs

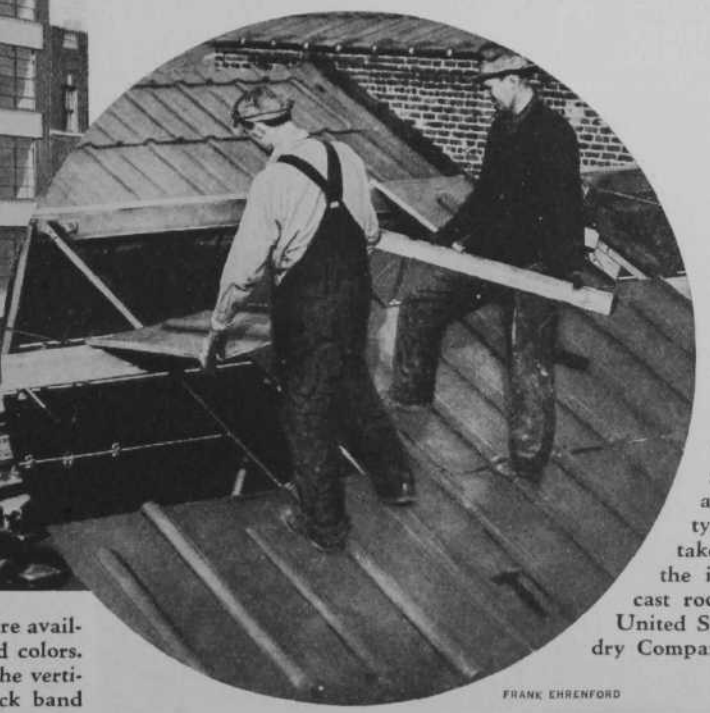
THOSE who feel that codes end competition overlook the fact that each day brings new rivals in the form of new materials or methods. Metals and plastics offer many examples



Even while elevator service in the Oliver Building in Pittsburgh was being modernized, operation continued. Use of the H. H. Robertson Company's steel floor permitted placing of conduits as soon as floor units were installed



Atlantic Terra Cotta Company's Atlantic Wall Units are available in comparatively large sizes and almost unlimited colors. For the Loft Building in New York, tan was used for the vertical spandrels. The top spandrel is green with a black band



FRANK EHRENFORD

Use of cast iron as a roofing material is not a new idea but this type of construction has taken a sudden spurt with the introduction of Unicast roof, a product of the United States Pipe and Foundry Company



COURTESY BAKELITE CORP.

Metallic inlays against a background of black Micarta give this A. & P. food store an arresting and durable sign



The walls of this room are dyed aluminum sheet. Aluminum mesh window draperies admit ample light

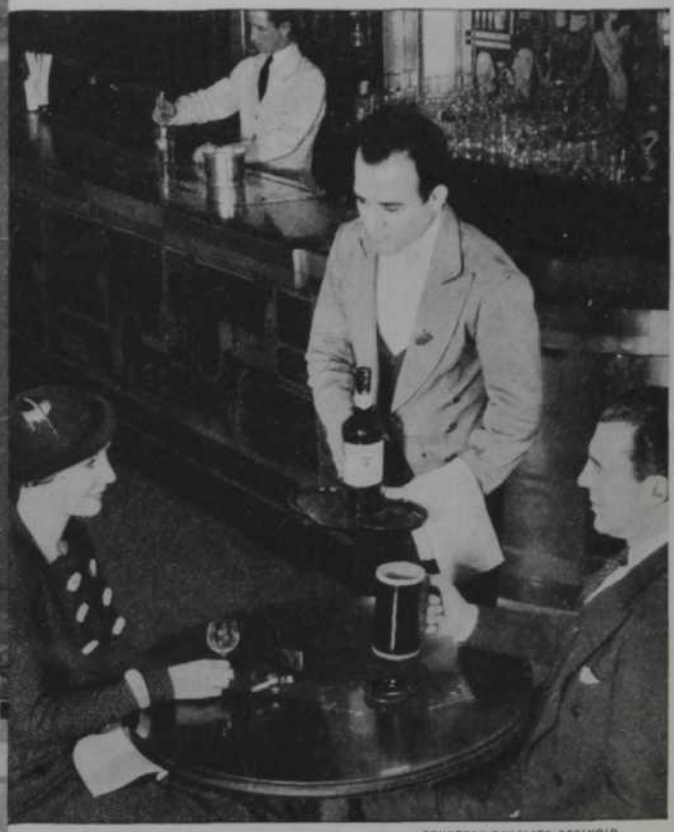
JOHNSON & JOHNSON INC.

Demand for modern bar equipment has stimulated sales of many decorative and serviceable metals. In the bar and grill shown here the modern motif is achieved by use of chrome copper, a product of the American Nickeloid Company



KAUFMAN-FALSEY

The Manhattan Room of the Hotel New Yorker (below) shows a different motif in grill decoration as well as another use of Micarta which serves here as bar and table tops. It is a Westinghouse Electric and Manufacturing Company product



COURTESY BAKELITE-RESINOID

Aluminum trim is effectively used in the lobby of the Research and Engineering Building of the A. O. Smith Corporation at Milwaukee. The product of the Aluminum Company of America is also used in chairs and table. The floor is inlaid with glass, lighted from below



HEDRICK-BLESSING STUDIO

The bar which recently came back is not the bar of the "good old days." Today the back, as well as the front is designed for appearance as well as utility. This one, produced by the International Nickel Company, Inc., is of Monel Metal, even to the back splash and apron

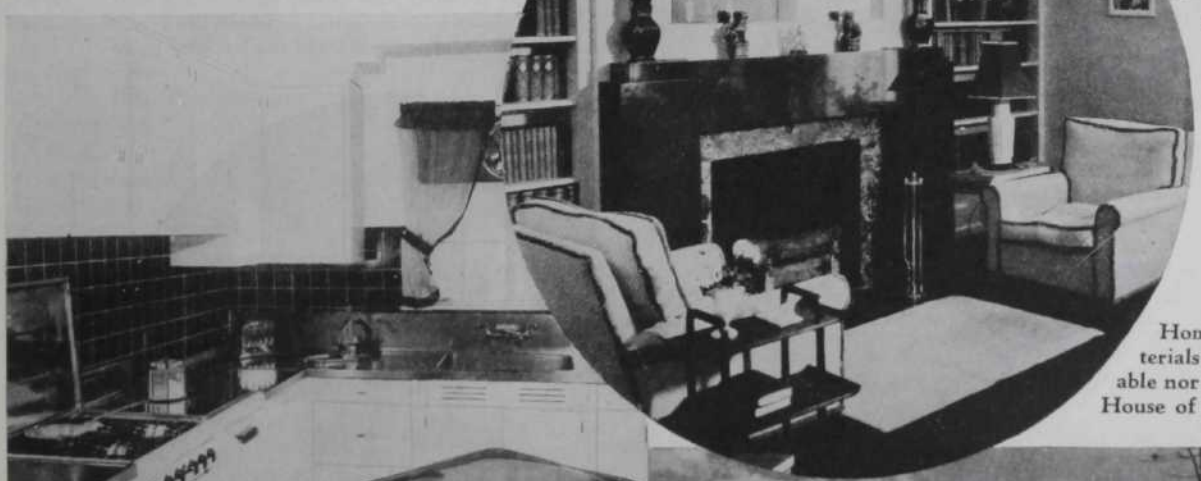




MATTIE EDWARDS HEWITT

Efficient production has spread from the factory into the household. The modern kitchen (below) presents an unbroken line of working surfaces made entirely from Monel Metal

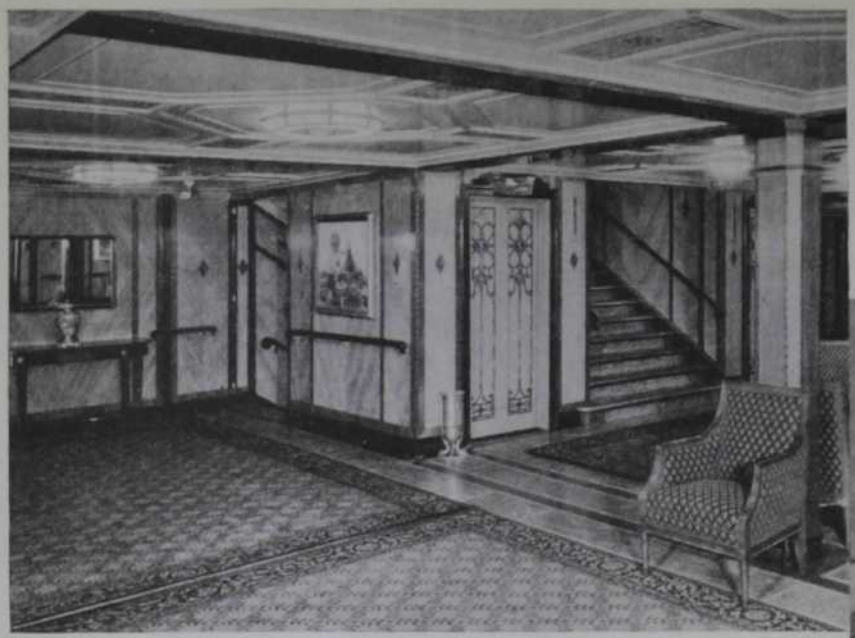
The National Tube Company's USS stainless tubing enriches the stairway and balcony railing in the Music Hall at Rockefeller Center, New York



Homes built with modern materials need be neither uncomfortable nor bizarre as the Westinghouse House of Tomorrow demonstrates

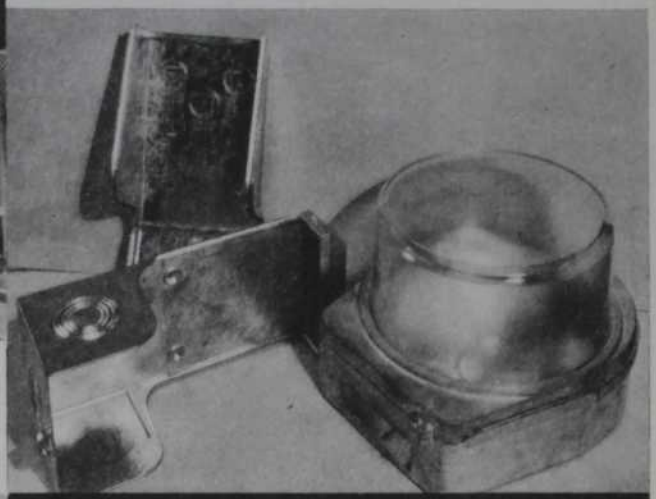


Use of new materials in construction is not limited to skyscrapers. The exterior wall sections of the dwelling on the right are vitreous enameled on Toncan enameling iron, edged with Enduro stainless steel, products of the Republic Steel Corporation



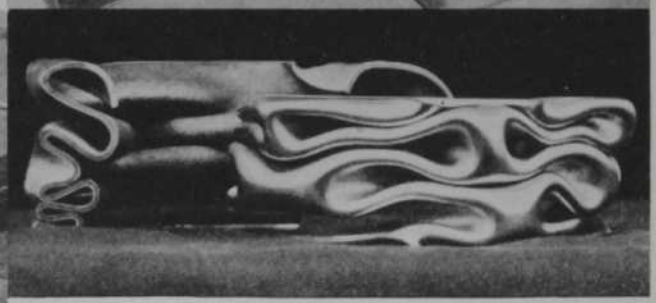
The new materials are not necessarily land-bound, as the Haskelite Manufacturing Company demonstrates. Above is the B deck foyer of the Steamship *Washington*. The wall paneling is of Dure-resin-bonded plywood with contrasting inlays in rare woods

The concentric, indented circles on this outdoor meter case by the New Jersey Zinc Company can be easily broken out to admit any size conduit and assure a perfect fit. Wiring charts die-cast in the lid are another new feature

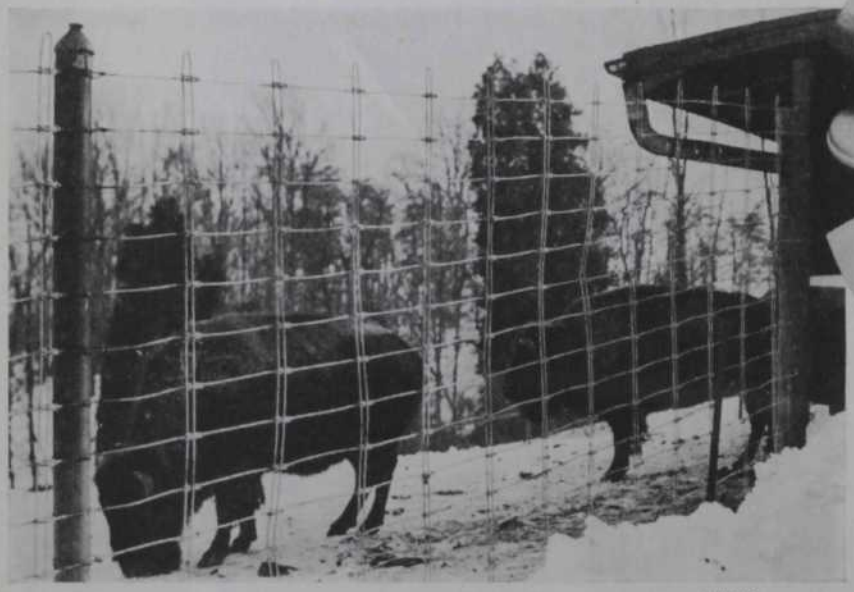




Anaconda "Electro-Sheet" copper, weighing two ounces to the square foot is in the field as a roofing material. A product of the American Brass Company, it comes in rolls 30 inches wide and is readily applied

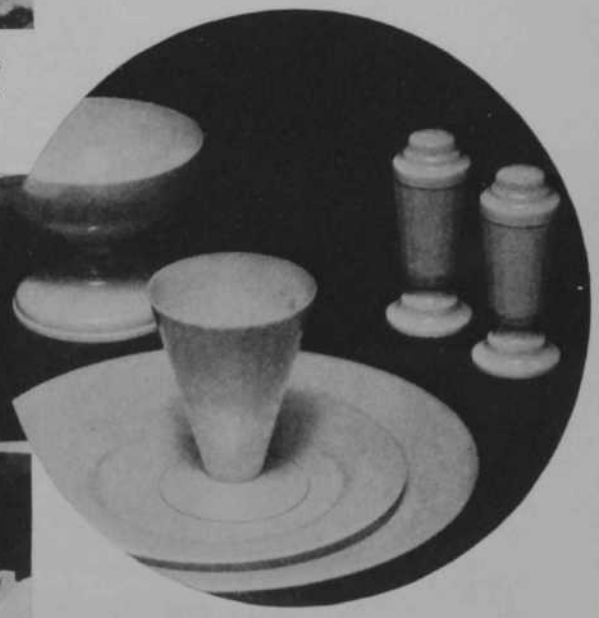


The Illinois Steel Company has developed Plykrome, made by welding a stainless steel veneer on a carbon steel backing. The photo shows a bending test in which the veneer (on the outside) has not separated from the backing plate



RIDEOUT

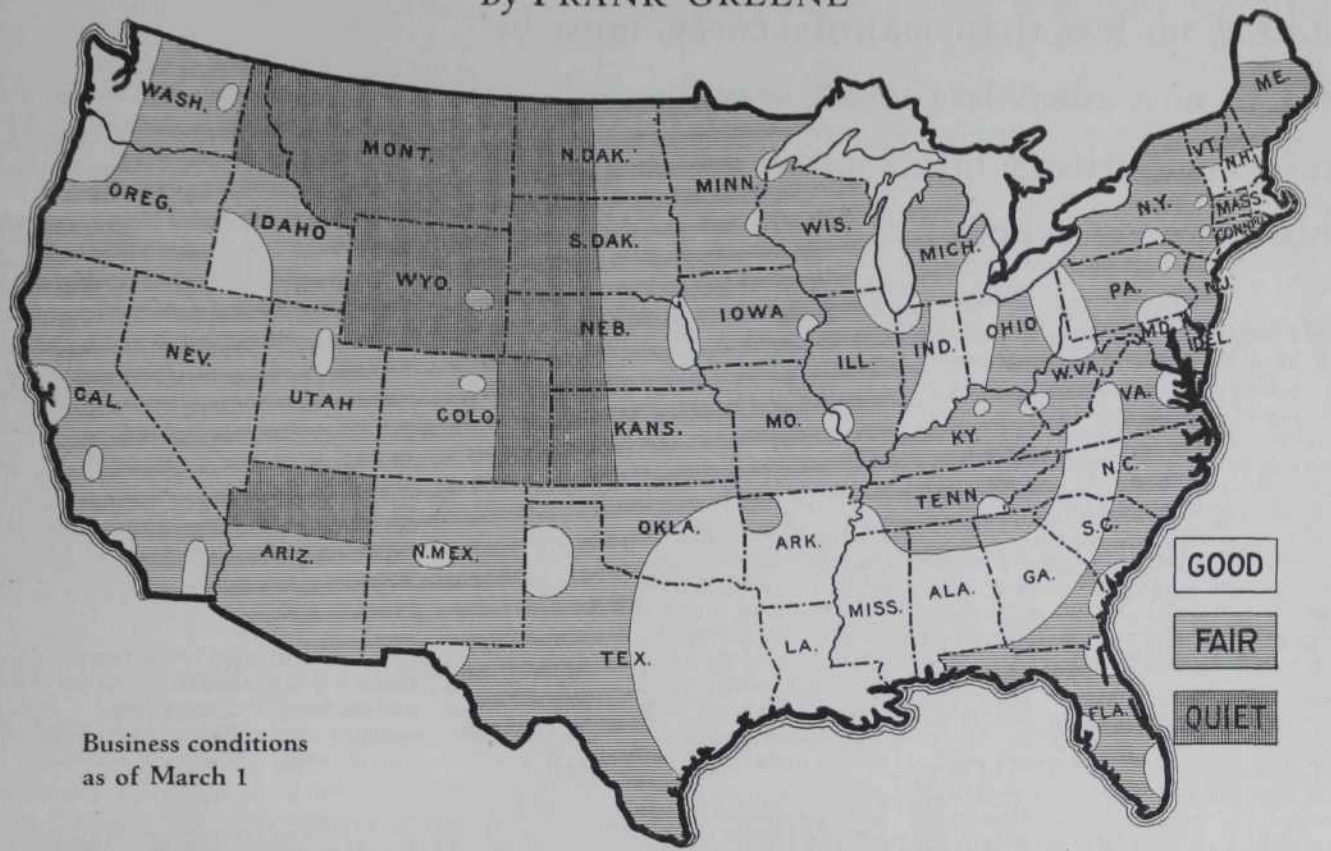
Bethanized wire, a newly developed, zinc-coated wire made by the Bethlehem Steel Company, is a recent applicant for the job of land enclosure. The fence shown here was manufactured by the Anchor Post Fence Company, of Baltimore, and is in use at the Washington, D. C., zoo



Beetleware, which serves a variety of mechanical and electrical uses, is a product of the Synthetic Plastics Company. In other shapes it has been used as a premium with food and drug products. Made from Ureaformaldehyde molding powders, it resembles translucent china

The Map of the Nation's Business

By FRANK GREENE



Business conditions as of March 1

FEBRUARY weather, especially in the northeast, slowed spring goods at wholesale and retail but made a virtual sell-out of winter goods and stimulated coal buying and mining.

In the surplus winter wheat states much desired snow cover put a new face on crop estimates. Steel production surged forward. The estimated automobile output for February exceeded January, which had shown heavy gains over the same month in 1933 and 1932.

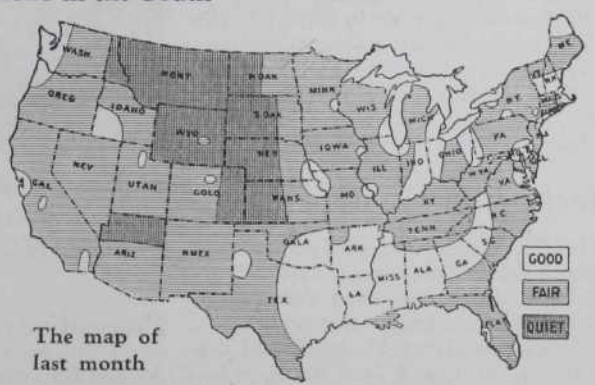
January cotton spinning showed a big spurt over December and exceeded the same month a year ago.

January activity in cotton goods was not entirely maintained; and wool and woolens seemed quieter.

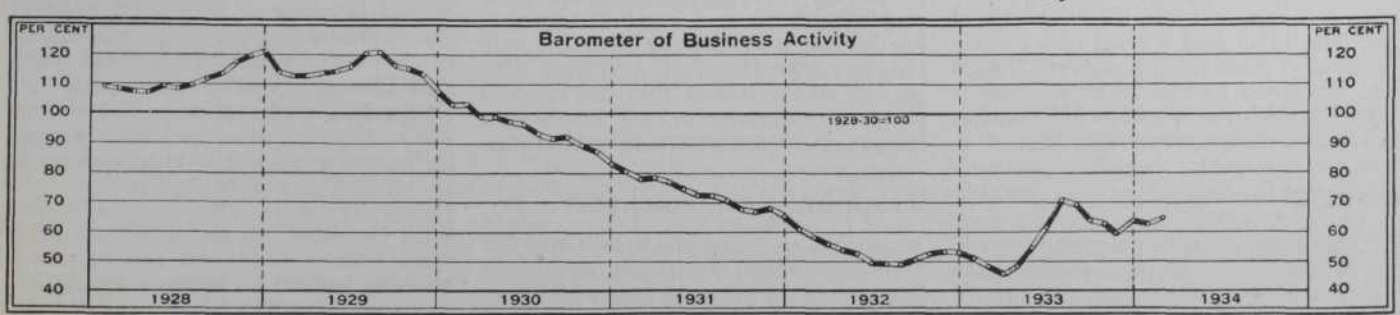
The shoe and glass industries were favorably advanced.

Chain store sales and early reports of department stores promised well. The January rise in stocks was mostly lost in February but bonds held well. The Dun & Bradstreet Commodity Price Index advanced 2.8 per cent in February, the third consecutive monthly gain. Failures in February were less than half those of a year ago, while liabilities were 70 per cent smaller.

Further improvement in the map is most manifest in South Dakota, Nebraska and Kansas where snow is reported helping soil conditions. Florida has had the best season since 1929. Good cotton conditions have caused enlargement of the white zone in the South



The map of last month



BASED ON INFORMATION SUPPLIED BY DUN & BRADSTREET, INC.

All factors shared in the rise of the Business Activity Barometer in February, but the chief causes were advances in steel production and car loadings. The Barometer on February 28 was at the highest since August 23, 1933

New Ideas in Selling

SELLER, no less than manufacturer, must be alert to new ideas in these fast-moving days. One's competitors often provide as good a school as does experience itself

FIVE dollars reward has been offered by a New Orleans store to anyone finding in its advertisements a misrepresentation or unprovable statement. The plan's said to gain closer reading of advertisements, closer inspection of merchandise, to keep the store's merchandising and advertising staffs alert. First award resulted from advertising two trained chimpanzees as an opening day feature at the store's new pet shop. A simian-wise visitor pointed out that the animals were merely docile, not trained; that they were not chimps, but ring-tailed monkeys.

Rooms made to order

"SET up the furniture you select in a room which approximates the one in your own home," a Los Angeles store invites furniture shoppers. Portable false windows in the store's model rooms permit them to be arranged to order, with wall spaces matching those in the prospective customer's home.

Drapery fabrics

A SET of swatch books which suggests fabrics and color schemes appropriate to various decorative periods in home furnishings has been assembled by one textile concern as a selling aid for retail drapery shops. Each book contains four or five fabrics, together with their trimmings, suggesting complete ensembles for various rooms.

Branch selling centers

OUTLYING display and sales points in six neighborhood shopping centers are helping a Michigan department store move refrigerators and other heavy electrical goods. Merchandise is placed in the special display points—drug and food stores, etc.—on a consignment basis, the neighborhood merchant being paid a small rental and a commission on all sales. A salesman trained and supervised by the downtown store is placed at each point, spends his mornings canvassing, afternoons on floor duty.

Ranges for rent

TRIAL offers are selling electric ranges in an eastern city, under a cooperative plan between the electric company and dealers. The company offers to install a trial range in the prospect's kitchen for a rental fee of 30 cents a week and a $15 installation charge (waiving the first until June 1; rebating the second if after two years the prospect is still using an electric range). The company makes available to dealers names of trial range users, aids them in selling replacements.

New in premiums

PURCHASERS of a toilet soap are being offered photos of themselves in one city; a certificate, exchangeable for photographic work at a local studio, is given with a purchase of five cakes. . . . A transparent envelope, bound in one of several colors, is given with each purchase of three pairs of hosiery by a New York store; women find them useful for keeping underthings unmussed in bureau drawers. . . .

Capitalizing calamity

AN ILL wind was turned to proverbial usefulness by a southern gas company when a blow out in its pipeline interrupted service for several hours. The company made the best of it by advertising that " . . . Thursday for a short time . . . some were without a full supply of natural gas. Nothing of great value is ever truly appreciated until we have to do without it. . . ."

Odd lots

A FREE coal shovel was recently offered Chicago home owners by an oil burner manufacturer; recipients found a constant reminder printed on the shovel handle that the oil burner "cost less—no shoveling." . . . advertising advises. . . . The dogs get a better break from a fisheries concern; it's producing a new dog food made from whole fish. . . . And from a San Francisco department store they get the best break of all in a recently opened canine beauty shop offering plucking, grooming, advice to owners.



This house on wheels permits an eastern gas company to show housewives the newest gas equipment at their own doors. It contains a complete kitchen, also a "basement nook" housing water and house heaters

Free juice

A SALES campaign for appliances is coupled with offers of free electricity during this month and next by three California electric companies. Two companies offer patrons all the current they can use at a charge corresponding to their March light bills; the third makes a more restricted offer.

Trapping new markets

RUSHING to answer the SOS (Save Our Shrubbery) appeal which home owners have long been broadcasting, an insecticide manufacturer is tapping a new market for one of his old products. Shrubbery's suicidal attraction for the neighbors' dogs is ended by liberal applications of the insecticide, his

Leftover holiday dolls were moved by a Los Angeles store through a combination offer of children's printed frocks and dolls dressed to match at $1. . . . A Brooklyn master plumber utilizes time stamps mounted on his service cars to record the actual time his men spend on given jobs. . . . Screen cloth merchandising is facilitated by a new display fixture which holds a number of rolls of varying widths, incorporates an unwinding and cutting device. . . . Invisible messages which become visible when the paper's dipped in water, vanish again when it dries, lend novelty to advertising leaflets; a Chicago company has developed the process.

—PAUL HAYWARD

EDITOR'S NOTE—Further information on any of these items can be had by writing us.

A Nation Without Trade-Marks

By ROY S. DURSTINE of Batten, Barton, Durstine & Osborn

IN this country, our purchases of soaps, or soups or other goods are largely guided by faith in the maker and his label. Here are an advertising man's impressions of a country where people lack this guidance



"We want to dress attractively," declared a newspaper complaining that the clothing trust was "ignoring the requirements of the people"

A PROPAGANDA POSTER in Moscow, a public dinner in New York, an interview with Stalin, a protest from a young worker in a Russian rubber factory and a bill introduced by a Southern Democrat—these five seemingly unrelated factors have a definite significance for the American business man who is watching some of the more advanced tinkering at Washington.

Perhaps this American business man has been devoting himself pretty steadily for 30 or 40 years to the job of making as fine a product as his factory could turn out.

Perhaps he has taken a lot of pride in his trade-mark and in the confidence which it has built up in American men and women. Perhaps he even believes that, by honest methods and fair dealing, he has given his trade-mark a certain actual value as a pledge of his company's good faith.

He may have been amused in reading a couple of sensational books which took a lot of obscure examples of business crookedness, and a few legitimately shameful instances to add weight, and tried to create the impression that all American advertisers were charlatans and the American public consistently gullible.

He knew that he and most of his competitors took a lot of trouble to make their advertising tell the truth. He knew that most of his friends did the same thing. Occasionally he fired a salesman who lied about the product. So he was just amused by the kind of authors who asked the public to pay two dollars for a book which cost 32 cents and told about the inordinate profits of American manufacturers.

Until recently, Russia and the Russians meant very little in his life. He knew that they had a Five Year Plan and that they seemed to be getting away with it. But they seemed further away than the New Zealanders or the Chinese.

Then one day he heard that the Administration intended to recognize the Soviet Government.

The Soviet view

"GOOD idea, too," said a club car orator. "We'll sell a lot of our products to those people—and there are certainly enough of them!"

While those sentiments were being expressed all over the United States, the Soviet viewpoint was laconically shown in a poster that was popular last fall in Moscow. One of two pictures showed a Soviet orator making a speech to a group of capitalists. His hearers were green with envy as he reported on the success of the Russian plan. In the other, as he explained that, as a result of this success, the Soviet Government was ready to place large orders abroad, the capitalists' faces were wreathed in smiles and their ears were expanded to double their regular size.

At the very moment that this poster was being exhibited in Moscow, 2,500 carefully groomed American bankers, industrialists, social leaders and jurists were attending an eight-course public dinner in New York in honor of Maxim Maximovitch Litvinov, Soviet Commissar of Foreign Affairs.

The Soviet artist who drew that poster would have been interested to see the attentive hearing given by this vast gath-

ering to Comrade Litvinov when he said:

"Enjoying the lowest foreign indebtedness in the world, the Soviet Union has the greatest capacity for absorbing the raw materials and products of other countries. On this question I presented data at the London Economic Conference, a study of which will show that the United States could make use of this capacity to the extent of at least 60 or 70 per cent."

It was not until a few weeks later, however, that Stalin, in an interview with Walter Duranty in the New York *Times*, made clear the terms under which Litvinov's promises might be fulfilled.

"The volume of our trade with America," he said, "for the time being must be measured by the degree of confidence America puts in us—and this by the volume of credit."

The American manufacturer pondered over that as he read it.

"I don't see how that's going to give American business such a bounce," said he. "Still we might give them credit if we can sell all those Russians even one package of our product apiece—let's see—170,000,000 people—even if only ten per cent of them"—and out came the pencil and the old envelope.

"Well, how about advertising to them," asked his sales manager, "to get them familiar with our trade-mark?"

"Look into it," decided the American manufacturer.

In New York the sales manager made inquiries. Everybody seemed a little vague about advertising in Russia. But he kept on asking questions. Finally his path led him to a building on Fifth Avenue and to an office with *Inreklama* painted on the door.

"Do you handle advertising in Russia?" he asked.

"That's what *Reklama* means," said an accommodating young man.

"And what does *In* mean?"

"That's Russian for 'foreign'."

"Well, how about putting across our product?"

No consumer advertising

"IS IT essential to heavy industry or light industry?"

"Huh? It's good to eat."

"Then I can't help you."

"What?"

"There is no advertising of consumer goods in Russia."

"Then how do you—"

"Here we accept only plain, unvarnished, short statements about products, which may be useful to Russian factories—such as dies or pumps or machines. No adjectives—merely specifications. Our magazines are rather like your trade-paper directories or registers. No selling-points, no favorable comment, no—"

"But how about getting this food product of ours into the homes of Russia by making them know our trade-mark?"

"There is no consumer advertising like that in Russia. If you had a lathe to sell through one of our technical magazines, an engineer might be induced to put through a requisition for it to the purchasing committee of his industry to consider.

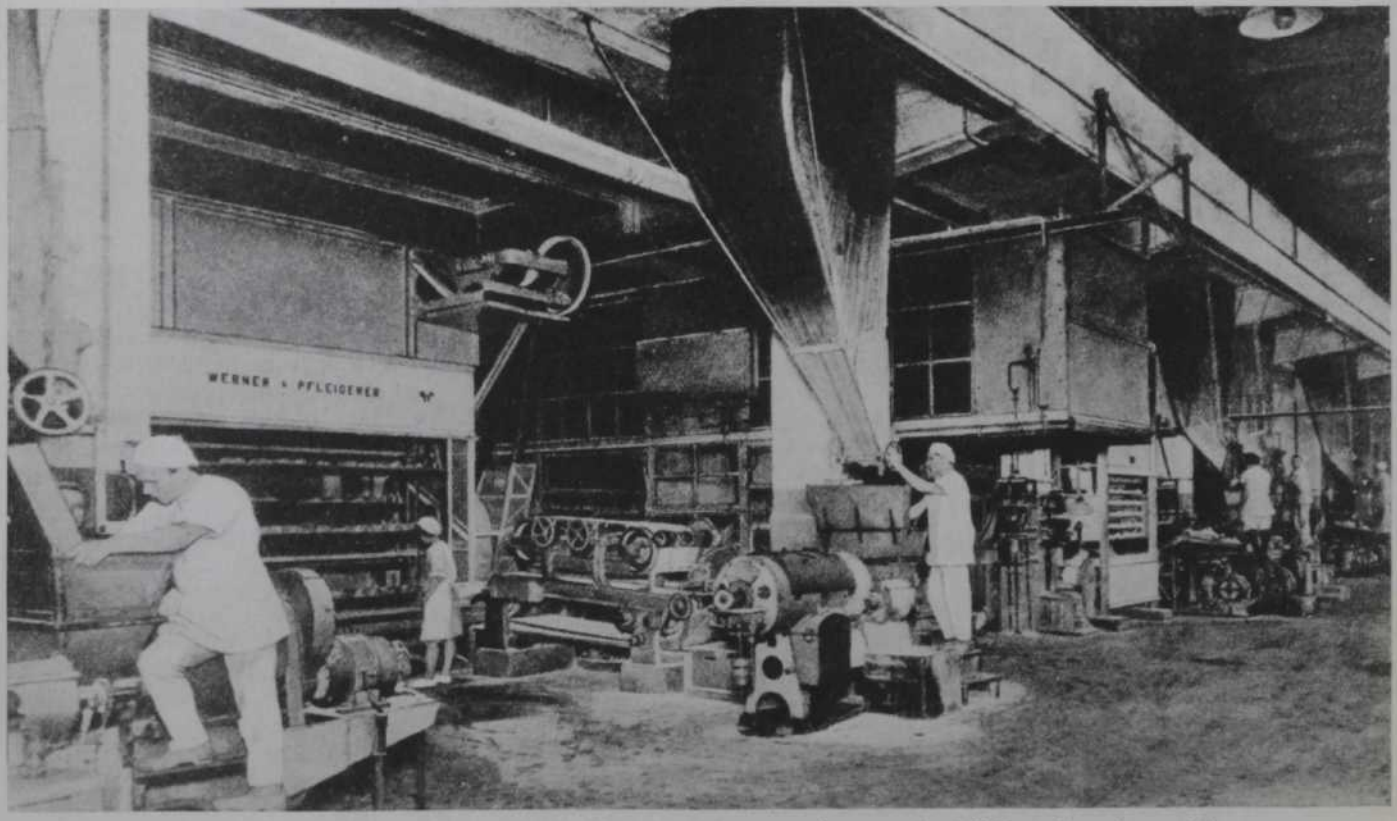
"But there is no way for the housewife of Russia to get your product at her food-store and so advertising your trade-mark to her would do you no good and we would not approve it."

The next morning this American sales manager picked up his paper and read about a bill introduced in Congress the day before by a Birmingham Democrat. It was sponsored by the chairman of a committee of the Consumers' Advisory Board of the NRA, a gentleman who is also connected with a private testing organization in New York, one of whose officials is a co-author of those books which generalize from isolated, inconspicuous cases to prove that American manufacturing and advertising are dishonest and misleading.

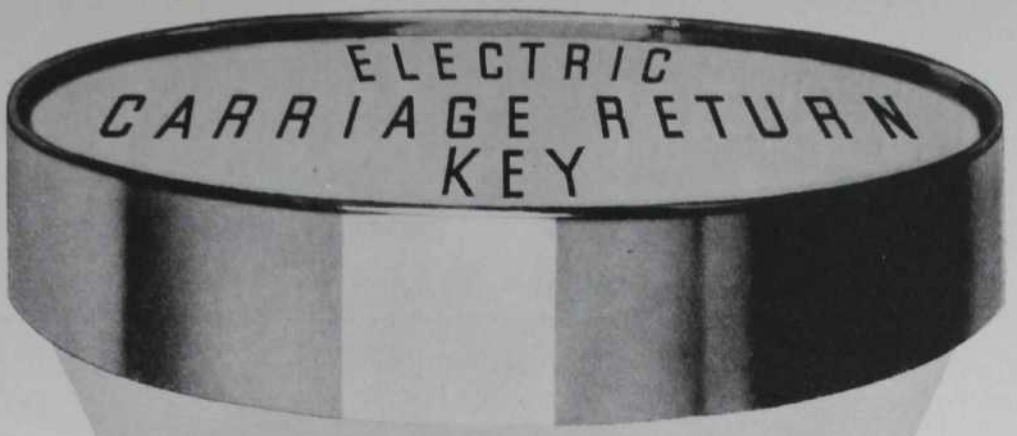
The bill proposes that the United States Bureau of Standards test practically everything the consumer buys and "adopt and prescribe marks indicating the quality, durability, usefulness, size, strength, grade, quantity, composition, origin, date and process of production, weight and measure of all objects of commerce, and to adopt regulations for the use of such marks thereon or therewith."

No article can go into interstate commerce unless it has been checked up and

(Continued on page 75)



"In the modern bread factory everything is sanitary and supervised." But American visitors recalled seeing unwrapped loaves, dropped in the street, wiped and thrown back in the cart



NOW A TOUCH OF THIS KEY RETURNS THE CARRIAGE

you don't have to BANG it back by hand



The new Burroughs Electric Carriage Typewriter is operated entirely from the keyboard. At a light touch of the Carriage Return Key, a built-in motor returns the carriage to the starting position or to an intermediate point, and automatically spaces to the next writing line. Shifting for capitals is also electric. Executives and typists quickly recognize that the result is easier, faster and neater typing.

BURROUGHS

ELECTRIC CARRIAGE

TYPEWRITER

Typewriter Division • BURROUGHS ADDING MACHINE COMPANY • Detroit, Michigan

When phoning your local Burroughs *dealer please mention Nation's Business*

Cutting the Cost of the Next War

By BRIG. GEN. HENRY J. REILLY, O.R.C.

NEARLY $600,000,000 of National Recovery Act funds have been asked by our Army and Navy.[1]

This money is for warships, aviation and shore stations for the Navy. The Army asks it for barracks, stables and quarters; mechanization, that is, armored motor vehicles for machine guns and cannons; motorization of artillery; anti-aircraft defense; and modernization of our heavy artillery.

This is in addition to the regular appropriations made in the last session of the Seventy-Second Congress for the fiscal year 1934. These, after being pared down by Budget Director Douglas, approximated $490,000,000.

In addition, a Navy building program has been passed by Congress.

This program will cover five years. Its estimated cost is from $500,000,000 to $750,000,000. Also an aviation program costing $175,000,000 is being pushed by aviation enthusiasts.

With such sums involved, it is evident that national defense is a question of vital importance to the taxpayer. What are we going to get for this money? Are we going to obtain the maximum defense for every dollar spent or are we going to spend large sums on non-essentials and then, when we next fear or face a war, spend many times more? There is grave danger that we will follow the latter course.

Can we prevent it?

Yes, we can.

All we have to do is adopt business methods of laying down a good plan, calling for orderly procedure over a period of years, and stick to it. That is not a new thought.

One of George Washington's first acts as President was to try to get Congress to adopt an efficient and economical plan of national defense. He failed.

In 1911, Gen. Leonard Wood, then Chief of Staff of the Army, similarly failed.

In 1915, the War College section of the Army General Staff prepared such a plan. President Wilson did not even send it to Congress.

In 1916, we adopted an efficient and economical naval building program. We not only failed to complete it, but, in 1922, as a result of the Washington Arms Conference, destroyed the new ships well under way, on which we had already spent $300,000,000.



U. S. ARMY SIGNAL CORPS

Every new weapon means, not the replacement of an old one but the addition of the new. As a result, modern infantry employs all the weapons shown here. They include the rifle (lower left), automatic rifle (lower right), one-pounder (left center), machine gun (right center), trench mortar (rear), rifle grenade (extreme right), the bayonet, the hand grenade, the pistol, gas and the tank

WITH the defense forces asking more than a billion dollars of government funds, the taxpayer has an immediate and vital interest in the question of national defense. What is he going to get for this money? Can it be spent as efficiently as he himself would spend it? General Reilly says it can if the business man will take an interest now rather than waiting, as he always has, until too late

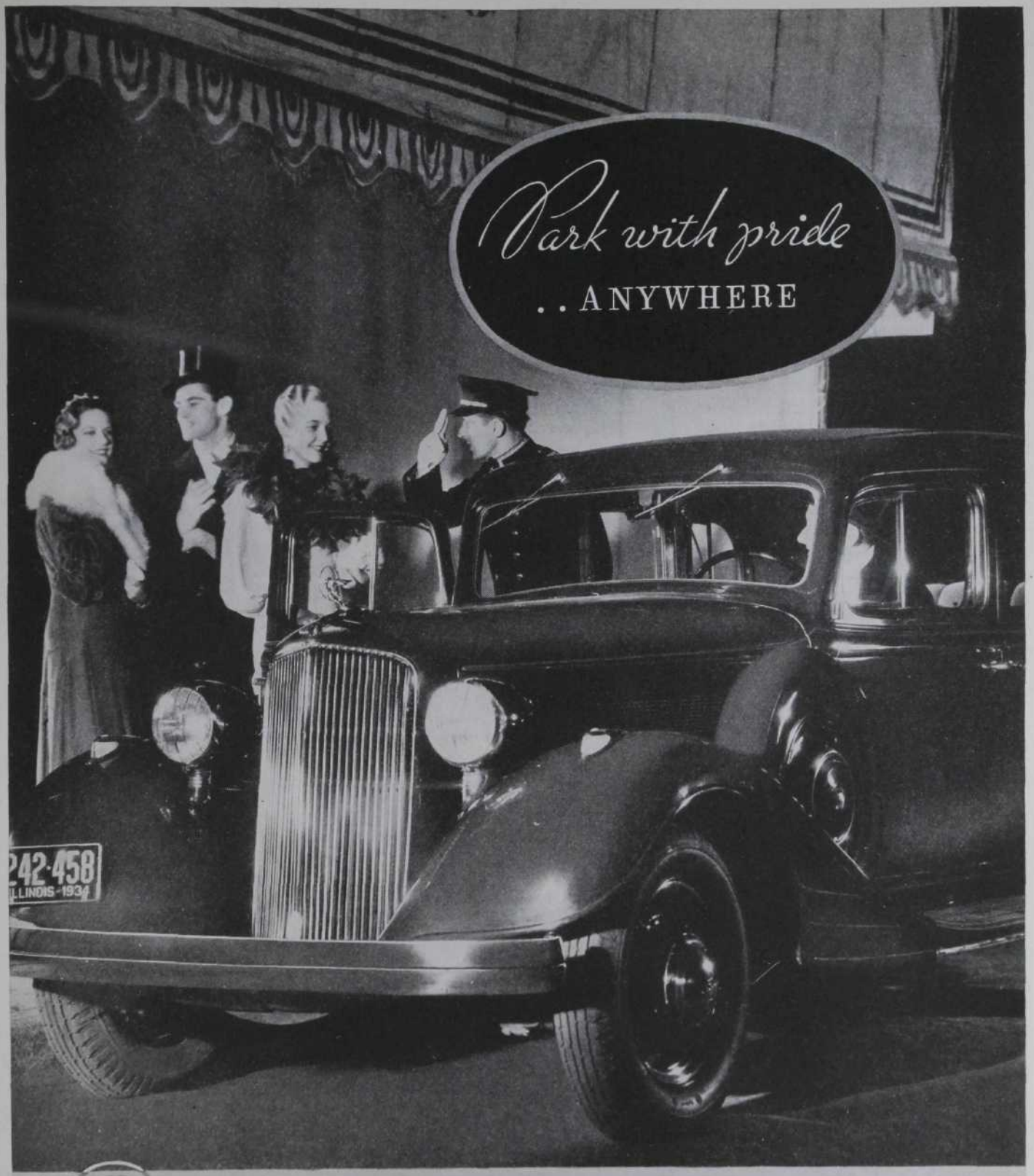
Too much waste in war

AS A result of our failure to adopt a plan, our expenditure for defense regularly mounts to great heights followed by deep depression.

For 20 years before 1812 we averaged $1,750,000 a year on the Army.

From 1812 to 1817, we averaged $16,500,000 a year. For the ten years before the Civil War, our combined average

[1] At date of going to press approximately $400,000,000 had been allocated.



There's no more *beautiful* car in America than the new Pontiac Straight Eight . . . there's no *smoother* car . . . no car that is more *comfortable* . . . no car that is *easier to handle* . . . no car that has a *sturdier chassis* or *finer brakes.* That's what you will say when you drive a Pontiac. Pontiac is a big and *impressive* car . . . a car at home in *any* surroundings. Yet Pontiac *costs* but a few dollars more than the very lowest-priced cars.

List prices at Pontiac, Michigan, $695 and up. Illustrated above, the 4-door sedan, $785. Bumpers, spare tires, metal tire covers, tire locks, spring covers and trunk rack, $77.50 additional.

PONTIAC

THE ECONOMY STRAIGHT EIGHT

expenditures on the Army and Navy were approximately $28,000,000 a year. The four years of that war cost us approximately $5,500,000,000. Before the Spanish-American War, our Army and Navy each cost us about $30,000,000 a year. In the approximately one year of the war we spent $320,000,000.

We should abide by a plan

BEFORE the World War, we spent approximately $155,000,000 a year for our Army and Navy. The military effort we made in that war cost us $23,000,000,000.

None of these figures includes pensions.

In 1920, we passed the National Defense Act. It was our first complete plan to build up, in an orderly way, over a period of years, a small peace-time force of regular and civilian soldiers, with the necessary machinery for expanding this small force quickly, efficiently and economically into a war-time army of millions.

We have not lived up to this plan. In the last Congress an attempt was made to tear it up. There is every indication that a stronger and perhaps successful attempt will be made in this Congress.

The greatest danger is that we will waste hundreds of millions of dollars by following the course proposed by one of two groups.

Neither of these courses can bring an efficient national defense but their advocates can show what appears to be a considerable present saving if they are followed.

The first of these courses is that proposed by what may best be defined as the *laissez faire* school. This group believes that everything is running along nicely at present and that all we need do is to pour more money into the present channels. This is the most comfortable solution, of course, to Army and Navy people who are honestly convinced that our present set-up is efficient.

The other course is proposed by the enthusiasts who hail each new weapon as so great an advance that all previous methods of waging war can safely be abolished.

The fact that each of these groups is preparing to put up a strong fight in Congress emphasizes the necessity of preparing a coordinated plan which will protect the taxpayer by insuring that every dollar is spent in accordance with the hard facts of the powers and limitations of weapons as they are today, not as they have been in the past or may be in the future.

The average man in every profession is inclined to be conservative because he knows the terrible failures which have resulted from adoption of unproved methods. At the same time, he knows that certain accepted methods do work. A few instances of this *laissez faire* policy:

When the Civil War began, 50 of our 90 war vessels were powered by sail. It took the battle of the Monitor and the Merrimac to convince the Navy Department that armored ships were needed. Other navies already had built some. Many of our navy officers had advocated that we do the same.

Before the Great War, the French Army had only a few machine guns. Officers who foresaw the future of the machine gun were unable to convince the authorities of the need for more.

The Germans won the first two great battles of the war, Charleroi and Morhange, largely because of their superiority in machine guns.

Before the Great War, General Percin, and some other French field artillery officers, recognized the value of telephones as a means of controlling field artillery fire. They were regarded as cranks, and their ideas rejected.

Before the war had progressed many months, the field artillery was using the telephone to an even greater extent than these enthusiasts had predicted.

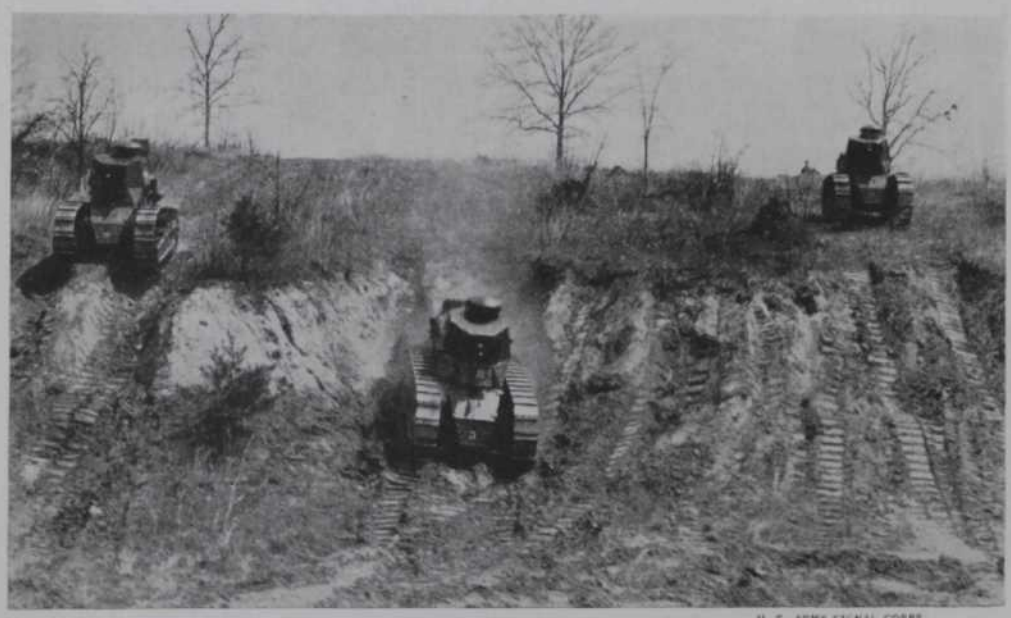
Though the automatic rifle and the airplane were American inventions, we entered the war practically unequipped with either.

The history of tanks lies more in the overcoming of the opposition to their adoption than in their accomplishments on the battlefield.

Nowhere would it be easier to follow the *laissez faire* school than in the continued maintenance of unnecessary army posts, stations, depots and arsenals and navy yards and stations. The money which can be saved by consolidating these establishments is important.

In the Army this consolidation is possible in supply, in maintenance, in transportation, in hospitalization and in the personnel of such services as the Signal Corps, the Quartermaster Corps, the Medical Corps, the Ordnance Corps and the Engineer Corps. In the Navy it is possible by abolishing navy yards and stations unessential to the combat efficiency of our fleet.

The other school, that of the overenthusiasts, is principally absorbed just now in singing the praises of the airplane as a weapon. A few military aviators share this overenthusiasm, but the majority do not.



U. S. ARMY SIGNAL CORPS

The history of the tank is the story of overcoming opposition to their adoption rather than the story of their accomplishments in battle

Old weapons not replaced

ONE of the airplane's leading proponents is Arthur Brisbane. Although he lacks military and aviation training and experience, he constantly proclaims that the day of the battleship is past. He also occasionally insists that the day of infantry and cavalry is gone forever.

Military history, however, shows that no new weapon ever replaces an older one unless and until it performs in battle, under exactly the same conditions, better than the old weapon performed.

Because for nearly a century the trained bowman could shoot farther, faster, more accurately, and penetrate more armor than could the musketeer, it took that long for the firearm to supplant the bow and arrow.

Since the beginning of the machine age, every new weapon invented has

(Continued on page 68)

Many a man who began with a small policy has a well-rounded Life Insurance Program today



"Great oaks from little acorns grow"

Ownership of your first life insurance policy—small though it may be—often brings a new viewpoint. You feel as though you have planted a "financial acorn" which in time will be an oak, more valuable each year it grows. You will probably find it easy and convenient to pay for this first policy by the week or by the month.

As your first "acorn" becomes firmly rooted, you will want to plant others. You may find that by small economies, here and there—not too difficult—you can accomplish your purpose.

Many a man, who has gradually built a well-rounded program of life insurance and who now pays for his later policies yearly or semi-annually, is proud of the first small policy taken in his 'teens. It started him on the road to financial independence through life insurance.

Plant your "acorn" now and watch it grow. The day will not be far distant when you will be planting others for your own security and for those who may look to you for protection.

Talk to your Metropolitan Field-Man. He can tell you how to plant your "financial acorns." Or mail this coupon.

Have a well-rounded Program of Protection. The Metropolitan's contracts afford a means to

—*create estates and incomes for families*

—*pay off mortgages*

—*educate children*

—*provide income in the event of retirement*

—*establish business credits*

—*stabilize business organizations by indemnifying them against the loss of key-men*

—*provide group protection for employees covering accident, sickness, old age and death*

—*provide income on account of disability resulting from personal accident or sickness.*

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Company,
1 Madison Avenue,
New York, N. Y. (N)

Without obligation on my part, I shall be glad to have you send me information concerning the way to make my "financial acorns" grow into "oaks."

NAME _____

ADDRESS _____

CITY _____

STATE _____

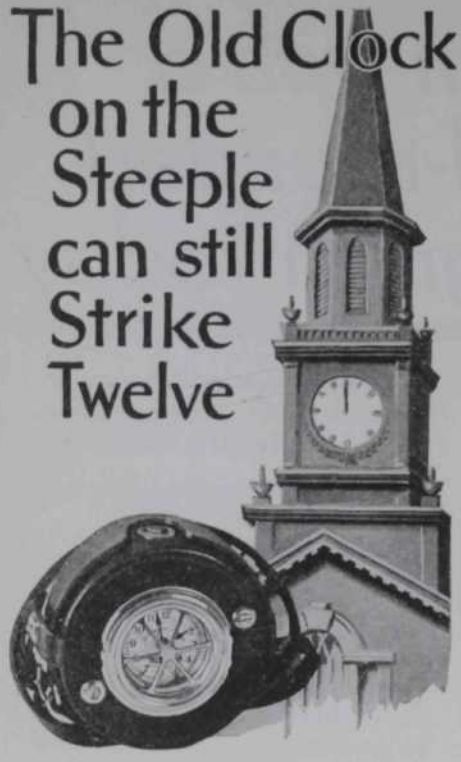


METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT • • • ONE MADISON AVE., NEW YORK, N. Y.

© 1934 M. L. I. CO.

The Old Clock on the Steeple can still Strike Twelve



Old clocks on the steeple . . . like old watchmen's clocks . . . are usually careless timekeepers and expensive to keep in repair. The primary value of your watchman's clock lies in the accuracy with which it registers each station record.

Examine your watchmen's clocks now. Replace the wornout ones with current models from the dependable and accurate Detex line . . . Patrol, Newman, Eco, Alert. Each is the finest clock of its type . . . Each movement is especially suited to the kind of watch service for which it is intended . . . Each is made by a manufacturer with more than 60 years of experience in making reliable watch service equipment. More than 50,000 Detex systems are in service.

With business steadily improving, increases in your inventories and other assets need the protection Detex Watchclocks assure. If you are not familiar with the latest Detex models, we will gladly send full information to your desk promptly.

● Look for the nearest Detex Dealer in the classified section of your local telephone directory under "Watchmen's Time Clocks." Representatives are located in all principal cities. Complete information on request. Approved by the Underwriters' Laboratories, Inc., and the Factory Mutuals Laboratory.

DETEX WATCHCLOCK CORPORATION

4153 Ravenswood Ave., Chicago, Ill. 29 Beach St., Boston
80 Varick St., N.Y. Room 800, 116 Marietta St., Atlanta

NB-4

DETEX

WATCHMEN'S CLOCKS

NEWMAN ★ ECO ★ ALERT ★ PATROL

When writing please mention Nation's Business

A Letter to Mr. Farley

THE debate on the question of whether the Government should establish a factory to manufacture post office furniture at the subsistence homestead at Reedsville, W. Va., aroused more than ordinary interest not only among Congressmen but among their constituents.

One of the latter, with a sense of humor, wrote the following letter which was put into the *Congressional Record* by Representative Reed of New York:

Winston-Salem, N. C.,
February 20, 1934

Hon. James A. Farley,
Postmaster General, Washington, D. C.

Your proposal to build a furniture factory in Reedsville, W. Va., when first reported in the papers, didn't impress me as being serious, and when the furniture association took it up and asked me to write a protest, I still could not take it seriously.

But now your fourth assistant assures me that $525,000 has been appropriated for the construction and equipment of a furniture plant to give employment to 125 stranded coal miners; and the Federal Emergency Administration of Public Works writes me that, after interdepartmental conferences, this project was deemed advisable for the efficiency of governmental agencies.

No doubt the prices of furniture for the Post Office Department are getting too high under the NRA costs, and at the conferences the executives have decided that, in the interest of economy, it was desirable to put the Government in competition with private industry.

Now, $525,000 is big money in the furniture business, and it would take time to build and equip such a plant. If you are seriously interested in giving these 125 destitute coal miners employment and taking care of them right away, and at the same time in making a goodly saving for our Uncle Sam, here is a bona fide offer:

I tender you a 125-man furniture factory, modern, completely and well equipped, already operating, at the price of $52,500, which is one-tenth of your $525,000 appropriation. This would be a saving of $472,500 plus a half million feet of good, dry lumber that I will throw in for good measure, plus transportation of your miners down to North Carolina.

The statement that you were going to put up this furniture plant "in the interest of efficiency" at first didn't seem to me a logical conclusion as I could not think of coal miners as efficient furniture manufacturers. But the more I think of it, the more I realize how old and out-moded my ideas are. However, I still offer for your consideration the advisability of your buying one of the furniture factories in the South and bringing your miners down to the furniture district so that our experienced furniture workers can teach your miners the art of making furniture and how to handle woodworking machinery.

Most of our furniture men are good Democrats and I feel that they would be pleased to teach the miners what they have learned through their years of work in the industry. There might be a few Republicans in the ranks, but you know how subdued the Republicans are now—they wouldn't cut much figure.

The greatest value in your plan did not occur to me at first, but probably it is the woof of the whole scheme as it has been thought out. I can now see how it is soon going to solve the unemployment problem: First, the coal miners would not turn out much furniture and what they did wouldn't last long; then, as business gets better and more coal is needed, we could send our destitute furniture workers up to the coal mines, and as they wouldn't be able to mine enough coal to keep up steam in our factories the oil business would be stimulated and so on and on to prosperity.

A lot of furniture workers are blonds and probably should have been coal miners instead of furniture workers long ago.

With my proposition—a going plant that will immediately absorb your 125 coal miners for less than one-tenth of your proposed expenditure—I will offer my services for $1 for the first year. This isn't as liberal as it may sound as I am now working for nothing under NRA and sweetening the pot every pay day. (I probably should not tell you this, as I am trying to make a sale.)

Please give this proposition your earnest and prompt consideration in the further interest of increased economy and efficiency. What a showing we could make! Uncle Sam would put up the money, there would be no interest charges, the post offices would buy the furniture and thus there would be no credit risk—we could make those regular furniture manufacturers who are now working under the NRA green with envy.

Storey Lumber Co.,
W. M. Storey

At the conclusion of the debate the House reiterated its stand against the proposition.

Conservatism . . .

"I AM in favor of the continuation of the policy of private ownership and operation of the railroads, subject always to reasonable and constructive ways to reasonable and constructive Federal regulation. We should not forget that under that system of operation and ownership, with governmental regulation, there has been built up in this country the largest and most effective system of transportation by rail in the world. We should be slow to change what we have for a system which, where actually tried, has been more productive of failure than of success."

DANIEL WILLARD, president of the Baltimore & Ohio Railroad Co., address to the Associated Traffic Clubs of America.

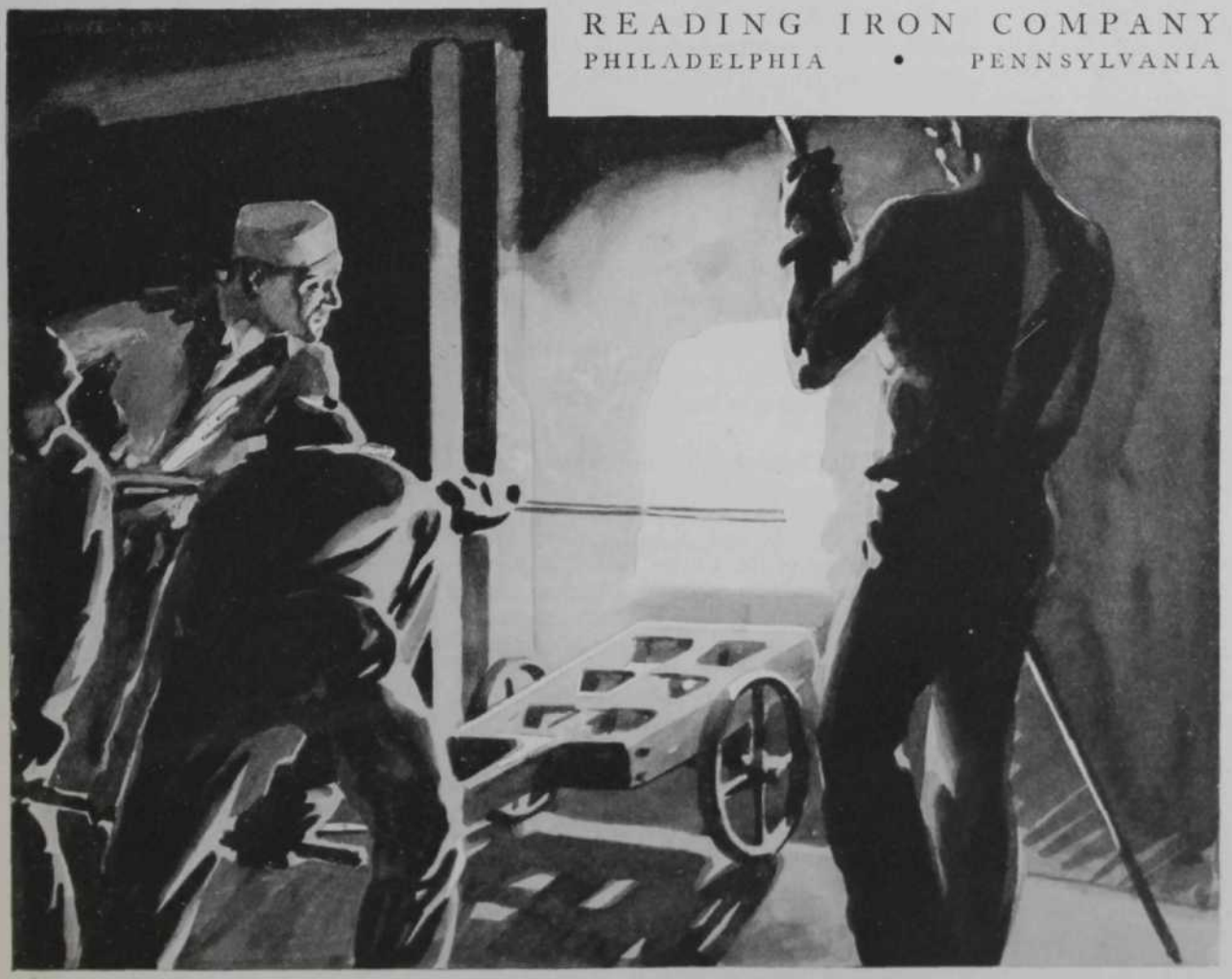
. . . Where the CRAFTSMANSHIP of Puddling Builds Endurance That Laughs at Time

● In the stern work of making metal that defies time, all of man's science, all of his invention, are not enough. Something else is needed—*CRAFTSMANSHIP.*

It is the craftsmanship of puddling that enables Reading Genuine *PUDDLED* Wrought Iron Pipe to stand up in more places, over a greater span of years, than does any other kind of pipe. Slowly and painstakingly endurance is built into the metal by puddling—giving the metal generation-long powers to resist rust, strain and vibration.

Since 1848, the Reading Iron Company has been making Genuine *PUDDLED* Wrought Iron Pipe. Today, you can find the proof of that pipe's endurance in factory and office building, in cottage and industrial plant. And when you hear of the remarkable service records which wrought iron has established, remember that those records were made by Genuine *PUDDLED* Wrought Iron—puddled with the craftsmanship that Reading uses now, and will continue to use.

READING IRON COMPANY
PHILADELPHIA • PENNSYLVANIA



SCIENCE & INVENTION HAVE NEVER FOUND A SATISFACTORY SUBSTITUTE FOR GENUINE PUDDLED WROUGHT IRON

READING GENUINE PUDDLED WROUGHT IRON

When writing to Reading Iron Company please mention Nation's Business

The Country Store Isn't Afraid

By CHARLES M. WILSON



SUCCESS does not depend upon dollars. There is a greater success.

Hidden away at the crossroads and the grass roots, and too often unhonored at home, are men who behind their counters, are performing a great service to their communities. I knew such a storekeeper in the little town where I was brought up. He was never quoted in the newspaper, but I know that many times he helped a youngster in trouble over a rough place; he headed every subscription list. He was the first to tear up the wooden sidewalk and replace it with concrete; the first to install better lighting; he it was who unobtrusively and with magnificent tact, carried the preacher whose congregation had failed him. In fact, in his quiet way, as I look back on it now, he was perhaps the greatest influence for good and stability in that small section. This is one of several reasons why I have looked a long time for a story of the country merchant and the contribution to public welfare which has enabled him to survive in a changing mercantile field.—MERLE THORPE



BILL BURG has kept a crossroads store at Compton, Ark., for 49 years. The chances are that you have never been to Compton, Ark. Further, you probably couldn't find it on a map, unless the map were unusually big and complete. But Compton is nevertheless real. Bill Burg started the village when he started his store. Now it has two other stores and a school house.

We sat down on a counter beneath an overhanging stock of assorted lamp chimneys, baking soda and axe handles. A hound dog waited at the screen door, sniffing wistfully at a fine new round of golden cheese. Bill Burg tossed the animal a sliver of rind, and the hound trotted away, leaving mute thanks and a faint odor of vanquished polecats.

The next comer was a customer, a farmer well dressed and self-assured. He wanted a plowshare, three sizes of hemp rope, a horse collar, some canned goods, a new lamp, a pair of overalls, some work shoes, gingham for his wife's new dresses, and a bottle of pasteurized milk for the baby. He had brought along seven dozen eggs, three gallons of sorghum molasses, and six pounds of fresh pork sausage as part payment. Bill Burg completed the deal with friendliness and ease, and rang up the cash and barter total on his register. Then he turned to me:

"They've been saying the crossroad store is dying. I'd tell 'em that it's just now starting to live."

Big business in country stores

BILL BURG spoke with reason. Serving the six and a half million farm families of the United States, and perhaps a million more far suburban families are about 225,000 independently operated merchandising establishments, situated either at crossroads or in villages of 500 or less—establishments, fairly labeled country stores. Reliable indications are that these stores clear a trade volume varying from three to four billion dollars annually. What is more eye-opening, the crossroad store has more than held its place, both in number and trade volume, waning slightly in New England and the Atlantic Seaboard, actually increasing in many areas of the South, Midwest and Pacific Coast. Not long ago a wholesaler's survey of 100 country stores in the overwhelmingly rural Ozarks of Arkansas and Missouri, showed an average regular clientele of 24 families each, a trade radius averaging 11 miles, and an average shelved stock representing an investment of about $3,100.

The crossroads store has survived the black years that left altogether too many of us in the red. There must be reasons. Bill Burg suggests some first hand ones:

Country trade rests basically on a sound commodity dollar—not a credit or a speculation dollar. It is based upon tangibles. And, as we all know, farm trade is a tremendously productive trade. Any chamber of commerce secretary knows it's the farm dollar that starts the wheel of prosperity.

The crossroads store revels in its chance for directness, intimacy of merchant and customer, close understanding of regular and seasonal needs of a given farm community. Proprietors are likely to be home folks, bred to the ways and views of their communities. They are justified, too, in carrying a surprising large range of goods. Rents and building overhead stand at a minimum.

And there's the staple advantage of barter trade. About 40 per cent of Bill Burg's trade is barter. He takes herbs,



Irving Jaffee, Olympic Speed Skating Champion, *says:*

"It takes healthy nerves and plenty of wind to be an Olympic skating champion. I find that Camels, because of their costlier tobaccos, are mild and likable in taste. And, what is even more important to a champion athlete, they never upset the nerves."

John W. Grout, Office Manager, who hails from Detroit, Mich., *says:*

"An Olympic champion speed skater needs healthy nerves, but a man can't handle a tough office job without healthy nerves, either. Many hours of nagging details and a heavy load of work all tell on the nerves. I smoke Camels steadily . . . all day long . . . and never have to think of nerves. As for taste—Camels have the finest flavor I have ever known."

How are Your Nerves?

If nerves are a problem with you, check up on all your habits that may affect them—your eating, your sleeping, your recreation. And get a fresh slant on your smoking by trying Camels. Much is heard about tobacco quality, so always remember this:

Camels are made from finer, MORE EXPENSIVE TOBACCOS than any other popular brand.

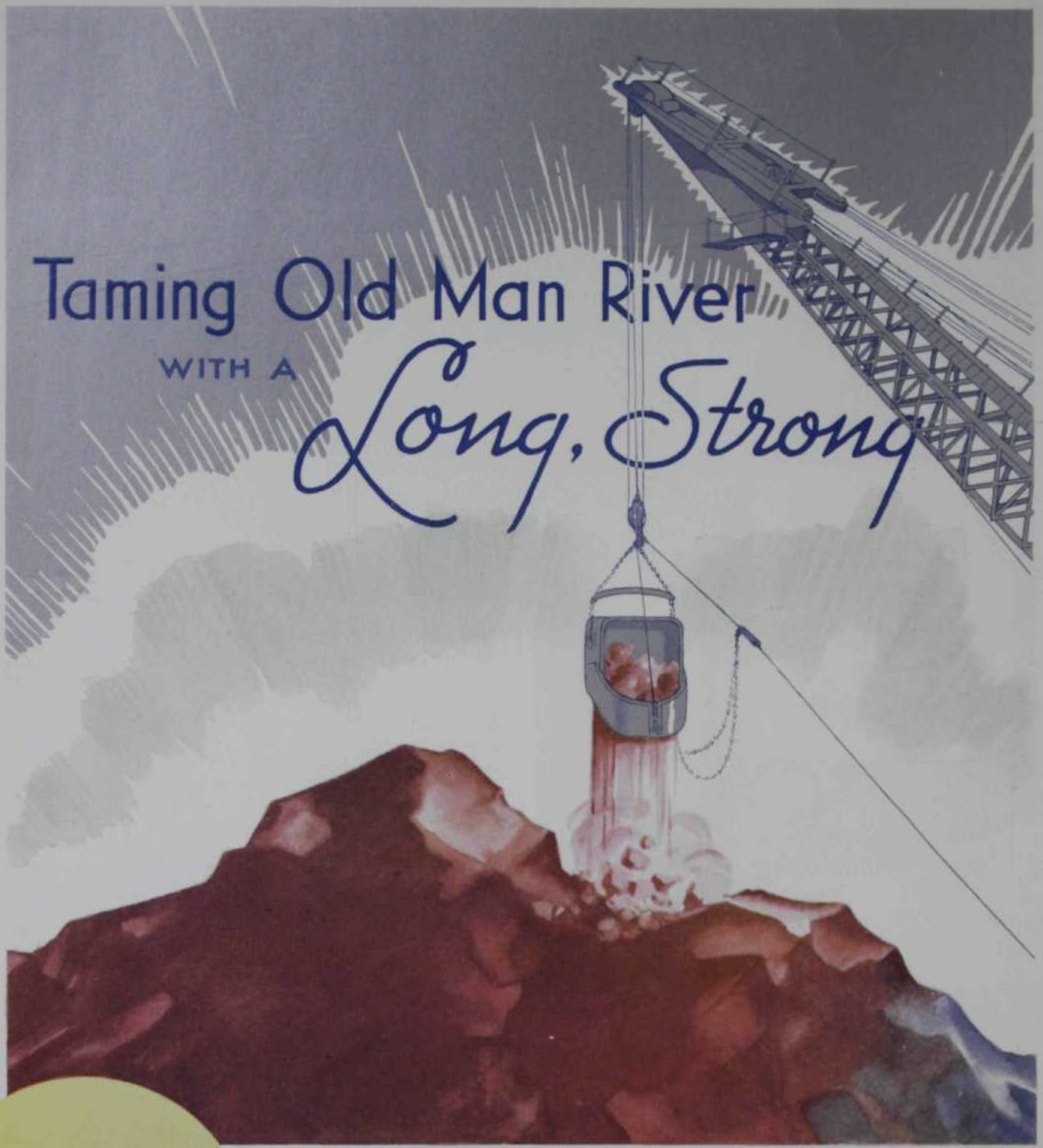
Note the way "edgy" nerves become a thing of the past. You can smoke *more* than ever, without a sign of "cigaretty" aftertaste. You'll be delighted to find that Camel's costlier tobaccos do make a difference—to your taste and to your nerves!



Camel's Costlier Tobaccos

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NEVER GET ON YOUR NERVES...NEVER TIRE YOUR TASTE



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Arm

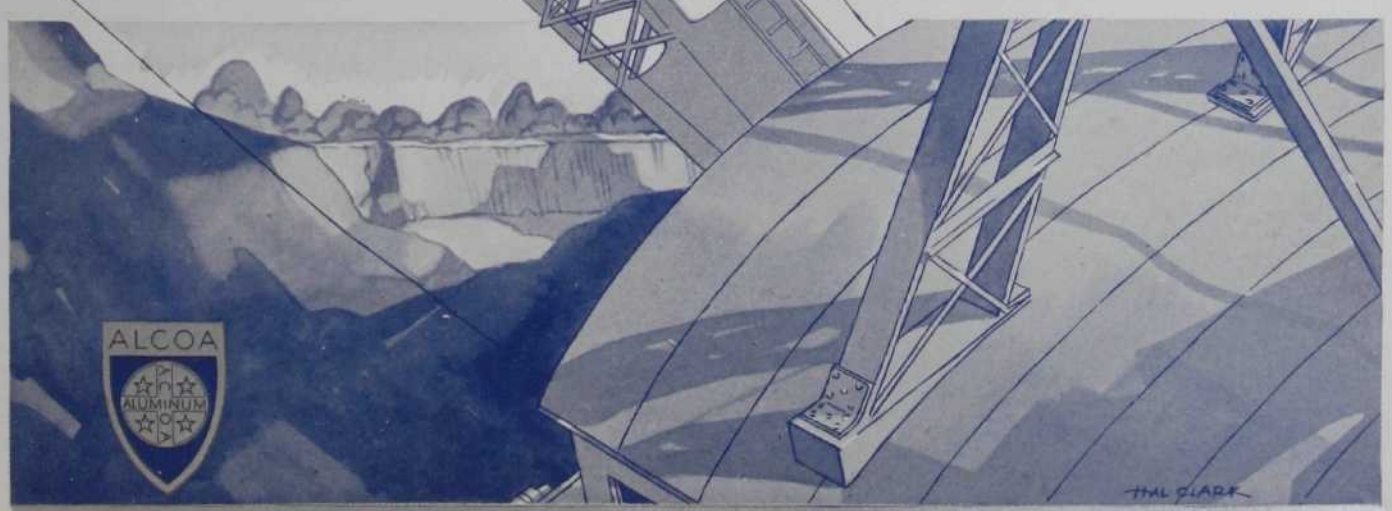
WORKIN' on the levee is a job to test both men and equipment. Yet here, too, the light strong alloys of ALCOA Aluminum are standing the gaff. Not only that, they're cutting the cost of Public Works, making more dollars available for the real purposes of the Program: To create jobs; to produce needed improvements.

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OF AMERICA *please mention Nation's Business*



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"That glorious Nuremberger," as Koberger was called by a competitor, Jodocus Badius of Paris, "with whom the production and distribution of good books was carried on as a sacred trust," was the first to make printing a real business.

Koberger maintained agencies over Europe to secure manuscripts and sell books. He had books printed in Basel and in Lyons. At Nuremberg he is reported to have kept daily twenty-four presses at work and to have employed no less than an hundred men.

The productions of Koberger numbered 236 of which the most famous was the Nuremberg Chronicle — a summary of history, geography and wonders of the world.

By subsequent printers Koberger was considered far ahead of his times and one wonders what he could have accomplished had there been available to him such modern facilities as high speed presses, process color engravings, and Kleerfect — The Perfect Printing Paper.

In Kleerfect printers find the perfect relationship of the five desirable qualities of paper — strength, opacity, smooth surface, ink absorption and color. One quality has not been gained at the expense of another and all have been achieved at a price no higher than that of just printable paper.

For all practical purposes Kleerfect lacks the "two-sidedness" in surface and color usually found in uncoated papers. Kleerfect's color permits fine color tone differentials. Its non-glare surface is easy on the eye. Kleerfect has the strength required by modern presses and an opacity greater than old style papers of equal weights.

NRA

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ginseng, poultry, eggs, cream, cured meats, butter, berries, fruits, grains, potatoes, any salable produce in exchange for store goods, which makes possible a double profit to him. Both profits can be whittled to a minimum and still leave a chance to stay in business. Moreover, barter allows a fair handling profit to merchants and dealers and brokers in neighboring cities and towns.

Saves marketing expense

THEN the crossroads store holds an advantage in natural history. Vast numbers of farm communities still require a home trading center. Fine highways and cheap autos have taken much of the time and labor out of going to market but as yet they haven't succeeded in doing away with the expense.

What is more, the country storekeeper has various possibilities in side lines. He may take on leather-mending, milk testing, egg candling, tire repairing and auto service. Like some 47,000 other crossroad merchants, Bill Burg keeps a post office in connection with his store which gathers in trade and so gives reasonable pay for time and trouble. Like many another, he also runs a farm. In emergencies, Bill Burg still has the heft to do considerable good as a blacksmith. Back in his younger days, he rigged up a barber chair and turned tonsorial artist on Saturday afternoons. Now he has given up that enterprize, but his barber chair still waits back in the storage room, a throne amid the assemblage of harnesses, wagon parts, and light farm machinery.

Finally, the crossroad store has a first cut of the invaluable resource of countryside friendship, a handy gathering place for spending an off afternoon or a rainy day, a place where farm folks may gather for checkers or horseshoes, or to trade ideas on crops and farming ways and each other.

In this connection, Bill Burg confesses that he has made a powerful big time investment in free favors and chores. It has been his pleasure, and otherwise, to make arrangements for weddings, funerals, christenings, church revivals, family reunions and neighborhood fun-makings.

He has set broken arms, dug beans out of little boys' noses, washed and bandaged wounds, witnessed wills and contracts.

In fact, his weathered little store has been the scene of both weddings and births. Bill Burg has stopped runaways, risked a year's supply of victuals to a lank and hungry farm boy who is now United States Senator, gone far out of his way to deliver telegrams and messages of sorrow or joy. But he figures all this is part of the job of the crossroad store and its keeper. He has never yet taken a penny's pay for a favor.

"No sir, I'm here to sell goods and give service. I figure that, to be worth a tinker's dam, a business must be backed with plain, sincere friendship. It's got to give as well as get.

"Trouble? Sure. But a store's got to give service, whether it's mine or Macy's. You can't run one by clipping coupons. Why, free favors have turned out the best investments I ever made. For instance, about 40 years ago, a little girl came in this store with a pair of worn-out shoes. She wanted new buttons sewed on 'em. I always did that free. But I saw those shoes were leaking water. They needed soles worse than buttons. It was a deadish kind of day, cold and murky, and not having much else to do, after I'd sewed on the buttons I put on a new pair of half-soles—also free.

"Well, that little girl has been pretty fond of me ever since. She's my wife now, and the best investment I ever made or hope to make.

"Yessir, and a free favor was my next best investment. Sam Carter came into these parts about 1910. Sam's a mighty good citizen, but at the start he and I didn't hit it off so well. For one thing, I'm a Democrat and Sam's a Republican. And Sam's a fiend for accuracy. Unluckily, on the first good order he bought here, I got mixed up on the sizing of some plow parts and caused him considerable delay and trouble. So he decided I was a stick-in-the-mud, and



In the past five years the country store has added some 50 articles to its stock

I sized him up as something of a crank. That went on for quite a spell.

"Then Sam's little boy took diphtheria. Sam had to come to my store to phone for a doctor. The doctor had to get some anti-diphtheria toxin, which was rare back in those days. I helped him wire for it. But somehow or other the drug company sent the serum to me instead of to Sam. Well, Sam didn't have a phone, of course, and he lived about nine miles off in one of the roughest hollers you ever laid eyes on.

"But I knew it was a life or death business, so I shut store, hopped on my horse, and delivered the medicine. Sam was pacing about like a locoed horse, and when I got there the doctor gave me a bear hug and told me I'd saved the boy's life. When Sam tried to pay me, I told him I only sold merchandise.

"After that, Sam got to be my customer. And he's what the town folks call an agricultural genius. He's built up the greatest dairy and fruit farm in this neck of the woods, and his trade alone averages a third of my total business. He's still a Republican, but he's the best customer I ever had, and next to my wife, about the best friend."

"Are methods in country merchandising changing much?"

Bill Burg ran a brown hand through his bristly gray hair, crammed his pipe with good tobacco and struck a match on his breeches leg.

"Sure, they're changing. If they weren't, the crossroads store couldn't have held out this long, and it certainly couldn't have the future that it does have. Let me tell you—"

Here is part of what he told:

Farm trade is becoming an advertised trade. It is calling for quality goods at big scale prices. It is demanding high medium to superior in such staples as tobacco, candy, flour, coffee, canned goods, clothing, shoes and cooking utensils. The run of country stores are cleaner and better equipped than they were 20, or even ten, years ago. Screens and awnings, cash registers and glass show cases are getting to be more the rule than the exception.

Stores spruce up

"IT used to be nothing was covered from flies and fingers. Cats slept in show cases, and customers and visitors brought their dogs right on in with 'em. I've watched checker games and 'gab' fests with, say, six men and 15 dogs. But uncleanliness and needless sloppiness are going—the way of dodos and spring buggies."

Farmers and country people are getting the trade-mark habit. They are studying labels and guarantees; inferior coffees and soaps are no longer selling merely through virtue of coupon prizes. Petrol sweets have pretty generally surrendered to real candies.

Country consumers generally are showing rising respect for the well-being of palates and digestive tracts. Ready-made wearing apparel, of good standard style and quality is now selling both to men and women. Shoes are improving both in wearability and looks.

"Sure—politicians and city bankers and whatnot have been out preaching

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that American agriculture is destitute. Well, don't let 'em kid you. Our farmers have been having some hard rows to plow, but they aren't down and out by a far sight. And they won't be, either, 'til after everything else in the country is. Today they're learning the lesson of good living—better living, even though they have less to spend for it. But it's not how much money a man spends that counts—it's what he gets in real value for what he does spend. In the past, we've been talking of standards of living when what we really meant was standards of buying or consumption. Now we're getting put right on that point. And I'm telling you that American farming today is basically sound, the same as American government and business."

Bill Burg was showing enthusiasm. He banged the counter so hard that a special on canned goods quivered.

Small losses on bad accounts

FARM trade is essentially honest trade, just as it is largely a cash or swap and carry trade. Bill Burg's losses on bad accounts have never exceeded one per cent of his total volume. Most of these losses have been occasioned either by death or grave sickness. And farm trade is a tremendously worthy trade. It passes profitable dealing straight along to town and city stores and banks. In a sense it is both the foundation and sales laboratory of American commerce, a sympathetic laboratory and a sound foundation.

"Speaking of trends in country trade, I'd sum up by saying that the American farmer is sold on the idea of better and lighter food, of clothing and shoes that look better and wear longer, on more livable and attractive homes. There're a dozen ways of proving this. Take cereal foods, for example. Ten years ago I stocked such lines by the single case.

"Now I'm buying it in lots of $500 worth and selling it fast enough to keep it fresh.

Seeking higher quality

"THAT'S another outcome of advertising and schooling. Unless I miss my guess mightily, quality requirements are going to climb still higher. The only real trouble I've been meeting in shifting to a better grade of staples is that when I take on the new the old is likely to stop selling. Canned beans, for example. I shifted to a good nationally advertised brand because I figured the trade would use it. The trade did. I finally had to feed the old grade to my hogs."

Farm born and raised, I reflected on the olden country store sugars that were sandy brown, and coffee that tasted like practically anything else in the world except coffee. Bill Burg nodded sympathetically.

"I was raised on 'em, too. But they're ancient history now, dead as Adam. Yes, even 25 years ago nobody appeared to believe that crossroads merchandising could ever change much. Look at it now! Why, just in the past five years the stock range of any ordinary country store has spread to allow for at least 50 new articles.

"Among those I've taken on are motor oils, auto accessories, tires and tubes, motor and tractor parts, home lighting equipment, radios, plumbing goods, curtains and draperies, silverware, optical goods, dress patterns, magazines and books, school stationery, baskets and crates, and of course we're way back in the sticks."

He refilled his pipe and pondered upon how time and time again he had been assured that the country store has been doomed to sure failure; that he used to listen to the gloom venders, but that now he's getting past the age of undue excitement. Thirty years ago, for example, when the age of department stores dawned, wise men predicted that most country stores would fold. But they didn't. And now that automobiles are everywhere, and farm centers the country over are interlaced with through highways, the country store still stays.

Bill Burg pondered.

"I guess, when all's done and said, the finest and truly lasting part of the trade lies in chances in friendships and real understanding of your trade. When it comes to making friends, I don't know of a better business."

The country exchange

A FARM wife, in checkered gingham and broad straw hat, came marketing, with six red hens waiting outside in a crate. I revelled in the fact that the crossroad store stays an exchange center for ideas and companionships as well as for goods and dollars; that through its doors pass the whole scope of rural humanity, young and old, poor and prosperous. Old-timers gather to relive lost youths through talk. Farm wives, come for a turn of store-shopping, look serenely upon a world they no longer have cause to fear. There are yearning maidens, sunburned scholars, fuzzy-faced farm youths come to watch the ways of trade, little girls with classic names and sunbrowned legs, come for a penny candy bag, and perhaps to listen to the words of great and knowing men.

The countryside generally is free to congregate on shady steps or porch benches or sturdy counters, or to encircle patriarchal monkey-stoves as weather decides, there to think and speak upon people, politics, hopes, jokes, and allegiances, lost, found, and otherwise. As a rule these storeporch

Americans are good listeners and keen observers. They laugh a great deal, revel in simple drolleries such as the tale of Parson Milsap who absent-mindedly ate a mink instead of a squirrel; or Aunt Marthy Pippitt who set 29 hens which hatched three pullets and 396 roosters; or the countryside wit who propounds the problem that if two black snakes, each 30 inches long, met up together and started swallowing each other at the rate of an inch a minute, then at the end of 30 minutes, what would there be left.

Future of the store

HIS run of trade finished, Bill Burg parted with several private views on the crossroad store of the future. He believes, for example, that it will have to hitch in more closely with the town banker and town merchant, which should be a logical and reasonable matter since, when properly run, country stores serve as lifegiving tributaries to the rivers of city trade. He believes that the crossroad store must get still closer to an absolute cash basis and take greater advantage of cash discounts; that in many cases it can build profits and volume through advertising, direct mail and country newspaper; that it can profitably add such lines as seed and nursery stock, shelf hardware and home furnishings. He believes that the country merchant should eventually be able not only to keep in step with times and buying needs, but in some instances to keep several steps ahead. He believes also that there will be immediate trends toward better buildings and more display space, toward greater saving and efficiency in transportation.

The latter stays a man-sized problem, even in this era of through highways, and unending ribbons of cement.

Highways help and hurt

"GOOD highways have helped us some, and hurt us some. They've brought new trade and taken away old. In my case it's about an even swap. Passing trade is all right, as it goes, but steady patronage gives us life. For that reason, country trade needs more and better by-roads, farm lanes and country roads. That way, the trade can come and go as it sees fit—to us or to the towns. I've learned through a good many years that free trade is the best trade, for everybody concerned."

Bill Burg paused by way of afterthought.

"It's not hard to look a country store over. Not hard to check its stock or number its customers. But it is hard to define as an institution. I guess maybe that's because it's sort of a handful of life, and life's never so easy to analyze."



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Business Gives Its Opinions

WHAT is business thinking about? That is the commonest of questions. There is no better place to seek an answer than in the gathering of 40 or more leaders of every branch of commerce and industry who come to Washington to the meetings of the directors of the United States Chamber of Commerce. They come from New York and Horicon, Wis., from New Orleans and San Francisco; they are bankers, merchants, manufacturers, builders.

They talk freely and frankly across the table. Sometimes that discussion finds expression in a resolution; sometimes there is a request for further study by experts, or a decision to refer the questions to an annual meeting or to a vote of the whole membership.

The Board met early in March. There was discussion of pending legislation, of recent activities of the Administration. There was protest against the pending bill for the regulation of securities exchanges, action on the Civil and Public Works Administration and, most significant of all perhaps, a statement of principle with the Bankhead Cotton bill as the text. The resolution reads:

The Board of Directors of the Chamber of Commerce of the United States draws the attention of its membership to the provisions of the pending Bankhead bill, under which, in effect, the marketing of each individual engaged in the cultivation of cotton will be limited to an amount prescribed specifically by the Government. The bill is, on its face, an emergency measure, running for a period of three years and with provision that the Secretary of Agriculture must satisfy himself that the majority of the growers desire it to be put into effect. The objective of the bill is to reduce surpluses, and to maintain higher prices to be paid by the consumer; but in fact, it subordinates the free American citizen to the dictation and tyranny of the Government. It subjects his initiative, his ambition, and his personal opportunities to the fallible judgment of government officials. In the end, it involves the submission of the details of his economic life to the minions of bureaucracy. It is another step in the process of economic control, which, the Secretary of Agriculture has warned us, involves the loss of the right to the unhampered expression of opinion, and to freedom of action.

Such freedom has been abundantly possessed in this land; has been of supreme importance to its citizens, and there is grave danger that its value will be forgotten in the consideration of more material matters. The principles proposed in the Bankhead bill cannot be limited to cotton but will inevitably be extended to much, if not all, agriculture, business and labor. If such should be the case, it will mark the end of the American tradition, American ideals, and American hopes of both material and spiritual progress; and will deny personal rights, by making men individually dependent on the arbitrary decision of a central power.

We cannot accept the proposition that the relief of our present troubles warrants the sacrifice of personal rights to the extent involved in this law. Our forefathers developed this nation, state by state, from Maine to Georgia, from Pennsylvania to Oregon, in heat and cold, in danger and starvation, and against difficulties incredible to this generation. They believed that freedom of opinion, freedom of speech, and freedom of action—that is individual personal liberty—was the great achievement of the American people.

Make changes slowly

WE RECOGNIZE that there must be alterations in, and regulation of, the privileges of corporations, associations and even of individuals; and modifications of social and economic systems for the national welfare. Such action is often necessary to promote individual freedom but changes should be made gradually and slowly, as may be necessary and advisable. In the past the American people have accepted not only privations, but even war, to protect their liberties.

This is not solely an expression of sentiment or patriotism, or of reverence for the tradition of our history. It is an expression of a vital requirement for our economic welfare. We have business and agricultural difficulties; we have unemployment and we have destitution, but we still have great national wealth, and a more abundant life than any other nation on earth. This is not explained by the extent of our natural resources. For these resources had to be developed and this development came through the power of the individual, expanded by liberty.

The principles involved in the Bankhead bill may well destroy that foundation. It is the most concrete application of the concept that men must be made political slaves to secure economic welfare. We believe that in the long march of our civilization, no system of society, or of economy, can rise above the level of the character of the individuals which make it up, and that personal liberty, but not personal license, is essential to the development of the nation.

On the pending bill for control of Stock Exchanges, the Board was direct in its attack. The bill was described as deflationary, restrictive and prohibitory, "and as an attempt to provide that companies may do business and investors and banks may transact security dealings only at the sufferance and pleasure of a bureau of the Federal Government."

Of the effect upon general business of the bill as it stands the Board said:

Corporations with securities listed upon the exchanges would be compelled to withdraw their listings because of the impractical impositions that would be placed upon them. Otherwise they must file registration

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Underwood Elliott Fisher produces an accounting machine model for every purpose. When an Underwood Elliott Fisher Representative recommends a machine to you, therefore, you may be certain that it is the best for your particular job. And one thing more...you may be sure that Underwood Elliott Fisher service will be back of it always.

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Your agent can obtain for you Hartford Steam Boiler insurance, not only on boilers and other pressure apparatus, but also on machinery that produces or uses power, such as engines, turbines, generators, motors, refrigerating equipment; coverage includes direct and indirect losses to property and persons. In buying insurance of this type, remember the importance of pedigree.

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statements with a government bureau. Their officers and directors must comply with all rules and regulations that the bureau may adopt and become subject to criminal liabilities for practices that are not prohibited if the securities are not listed. Their business must become subject to inquisitorial powers, prescription of forms of financial statements and accounting methods, and interference with management policies.

The acute situation brought about by the sudden cancellation of air mail contracts was a subject much discussed by this business group. They felt that hastily to take the air mail service from the private contractors and to turn it over to Army fliers was not in the best interest of the public. On this point they said:

> The Board considered the present serious interruptions and curtailments now prevailing in the air mail, passenger and express services which have come to be regarded by business and large sections of the public as highly reliable and essential elements of our national transportation system. The Board emphasizes the Chamber's belief in the contract method for transportation of air mail in the United States, the importance of assuring future continuity of air transportation and the need for prompt restoration of normal service.

President Roosevelt has proposed a Federal Communications Commission which, with the Interstate Commerce Commission and the Federal Power Commission, would add to the power of the National Government over public utilities. The business men who discussed this proposal at the Board meeting saw great evils in the bill presented to Congress and proposed:

Expanding regulation

THE powers which would be entrusted to the proposed Federal Communications Commission, while largely to be transferred from the Interstate Commerce Commission and the Federal Radio Commission, would nevertheless be substantially expanded in ways not required by the public interest and likely to interfere with continued efficiency of communication services. A Communications Commission of seven members would be unnecessarily large and expensive, while the proposed requirement in the bill that the Commission be organized in three specialized divisions to deal with broadcasting, telephone and telegraph, respectively, would be inefficient and would tend to promote the development of unnecessary regulation. The recommendation in the President's special message to Congress would limit the legislation at the present session to transfer of existing powers from other commissions to a new commission which would have the duty of recommending permanent legislation for later enactment. This procedure is desirable in the interest of adequate consideration of the important questions involved.

No such group of business men could meet in the Spring of 1933, almost a

year after the Roosevelt inauguration without earnest argument over NRA. The discussion took final form in this declaration:

The Board of Directors deems it timely to reaffirm the stated position of the Chamber of Commerce of the United States that the promulgation of fair rules through codes to improve the status of labor, the industries of the nation and the public welfare should be through cooperation with representative trade associations. Government control should not be substituted for self-regulation of industry, nor should impetus be given to the building up of bureaucracy.

Cooperation in the adoption of codes of fair competition should be continued in their administration and enforcement.

We recommend the support of our membership in the correction of those admitted deficiences in the administration of the National Industrial Recovery Act which will promote the return of normal employment and remove abuses in its application.

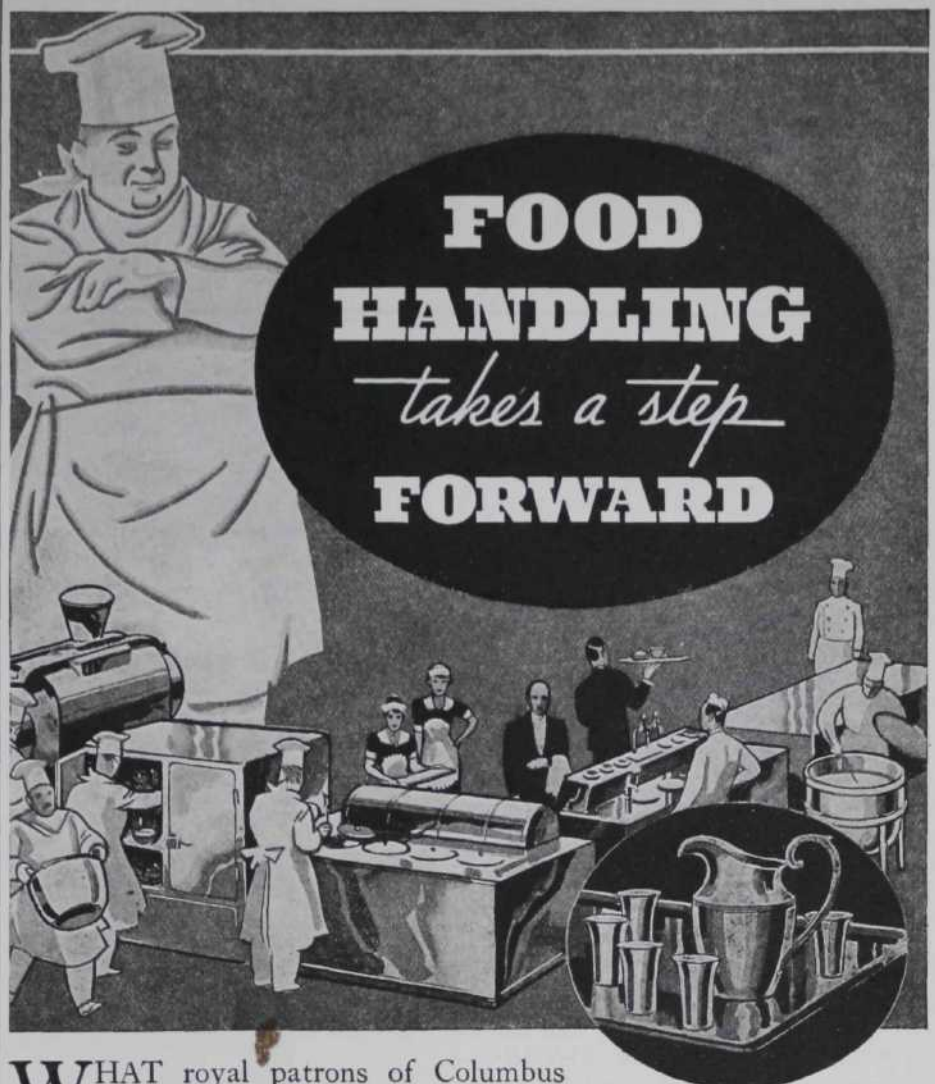
We oppose the use by governmental agencies of means for enforcing orders or regulations relating to employment not contemplated or provided for in the Act.

That the Civil Works Administration should be handled as a temporary employment program met with general approval of business men. They approved the program and added:

The emergency handling of the unemployment relief problem should be put as soon as practical on a more systematic and controllable basis so as to insure keeping expenditures within the President's budget. There should be immediate removal of every obstacle in the way of revival of the capital goods industries. If the slack is taken up between the low activity of the capital goods industries and the relatively high operations and employment in other fields of production and distribution, widespread reemployment will result.

Business is not averse to city planning, nor to the substitution of low cost housing for existing slums. It does ask for business methods in handling these problems. It voiced that opinion in these words:

Experience over the past six months with the proposed slum clearance and housing program of the Federal Government suggests the need for careful studies by competent local planning boards of the physical, economic and social problems underlying the blighted districts in cities, which serve to drain the public treasuries. Chambers of commerce can profitably initiate or cooperate with planning activities which include the gradual elmination of such areas and the prevention of their recurrence. Practical accomplishment in these directions can reflect itself in a better city budget which will directly benefit business, and all taxpayers. By directing attention to opportunities for needed construction, repair and rehabilitation work, these local planning activities can be of immediate value in encouraging a natural and healthy revival of construction and other capital goods industries.



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The War on Cut-Throat Prices

By BENJAMIN H. NAMM President of the Namm Store, Brooklyn

IN December we published an article by Q. Forrest Walker, of R. H. Macy & Co., Inc., who said efforts to control prices by code were "uneconomic and detrimental to the best interests of the consumer." Here Mr. Namm, who helped draft the master retail code, presents the other side of the picture

A LITTLE less than a year ago, President Roosevelt told the United States Chamber of Commerce, "You and I acknowledge the existence of unfair methods of competition, of cut-throat prices and of general chaos. You and I agree that this condition must be rectified and that order must be restored."

The million or so retailers scattered throughout the country received the President's declaration with enthusiasm. For years an increasing number of retailers had been complaining bitterly about unfair competitive practices. When the National Retail Dry Goods Association sent out a questionnaire last spring, 97.4 per cent of the merchants who replied complained of recognized unfair practices in their localities.

As for the chaos referred to by the President, there has been no lack of it in the retail field. Since 1928, approximately one retailer out of every four has gone out of business. Those who survived suffered heavy losses. In 1932, the average retailer lost five cents every time he sold a dollar's worth of goods. In 1931, he lost about three cents per dollar of volume.

It would be idle, of course, to assume that these losses were primarily due to unfair competition. Bad management, falling prices and general conditions undoubtedly played important rôles. It is probable, however, that, of all these causes, unfair competition was not the least important.

Contrary to popular belief there was, prior to the Recovery Act, little or no recourse for the merchant who suffered from unfair competition. The Federal Trade Commission was powerless to act except in matters of interstate commerce. Even then, the Commission's powers were exceedingly limited, as several test cases revealed. State or city ordinances against unfair practices were practically non-existent. As for trade associations, those which promulgated codes of ethics soon found that these codes bound only the ethical. In fact, recalcitrants were often quick to make capital of the situation by advertising so as to lead the public to believe that competitors were "ganging up" on them.

An important step forward was taken in 1931 when the Better Business Bureaus of the country (representing 51 important cities) met in Cleveland to take group action against unfair practices in retail advertising and selling. Their first step was to earmark, as follows, the most serious trade evils as the Bureaus saw them:

BAIT-OFFERS (LOSS-LEADERS)
DESTRUCTIVE ADVERTISING
GENERAL UNDERSELLING CLAIMS

When the National Retail Dry Goods Association was asked, last May, to submit a Code of Fair Competition to the National Recovery Administration, the judgment of this association coincided with that of the Better Business Bureaus and control of these three practices became the basis of the fair-practice provisions of the code that was submitted. A month later, when the six national retail associations were asked to join in submitting a Master Retail Code, these fair-practice provisions were unanimously approved.

Favorable replies

PUBLIC hearings on the Master Retail Code were held in Washington last August. Of the 203 speakers who asked to be heard, including representatives of labor and consumers, only one voice, that of a retailer, was raised in opposition to these provisions. A month later, when Deputy Administrator Whiteside invited general comment upon the code the retailers had submitted, several thousand replies were received. These replies, coming from every conceivable source, reflected overwhelming approval of the fair-practice provisions. In fact, less than one half of one per cent of the replies were unfavorable.

For reasons best known to the National Recovery Administration, these fair practice provisions were altered in the code that was signed by the President, without resubmission to the nine national retail associations which sponsored the original code. The paragraph dealing with "loss-leaders" was entirely rewritten. That paragraph (Article 8, Section 1) now reads as follows:

In order to prevent unfair competition against local merchants, the use of the so-called "loss-leader" is hereby declared to be an unfair trade practice. These "loss-leaders" are articles often sold below cost to the merchant for the purpose of attracting trade. This practice results, of course, either in efforts by the merchant to make up the loss by charging more than a reasonable profit for other articles, or else in driving the small merchant with little capital out of legitimate business. It works back against the producer of raw material on forms and in industry and against the labor so employed. This declaration against the use of "loss-leaders" by the storekeeper does not prohibit him from selling an article without any profit to himself. But the selling price of articles to the consumer *should* include an allowance for actual wages of store labor, to be fixed and published from time to time by the Trade Authority hereinafter established.

This "loss-leader" provision was favorably received by the merchants, even though its phraseology (particularly the use of the word "should" instead of "must") did not seem to be as clear or as concise as that submitted by the retailers. This favorable reaction was en-





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Shake, strain and add Cherry

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Acousti-Celotex comes in rectangular units that lend themselves readily to decorative designs and patterns. It is easily and quickly applied without disturbing business routine.

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hanced when General Johnson announced, shortly afterwards, that the wage-allowance referred to in the provision would probably be fixed at ten per cent, which was exactly the figure the retailers had submitted.

From that time on, since October 21, retailers have waited patiently for this wage-allowance to be fixed. More than four months have elapsed since the signing of the code and neither the Trade Authority nor any other responsible agency has "fixed and published the allowance of actual wages of store labor which the selling price of articles to the consumer should include."

Retailers, being only human, are not blessed with infinite patience and four months seems an excessively long time to wait for such a simple action. In my opinion, the Administration must soon declare itself with reference to this most important of all the NRA codes. If the Retail Code is to be enforced as written, then the wage-allowance should be promptly fixed and published. If the code is not to be enforced as written, then this wage-allowance feature should be eliminated by Executive Order.

Personally, I would rather see this wage-allowance feature eliminated than to have it remain in the code as a "dead-letter." However, I see no reason why this feature should not remain in the code. I realize that numerous and bitter attacks have been made upon it recently but these attacks do not appear to be any different, or any less specious, than those which were made before the code was signed.

No price fixing

FOR instance, we have the old familiar charge that the entire "loss-leader" provision is a form of price-fixing. Actually, there is about as much price-fixing in this provision as there is gold in goldenrod. There is nothing in it that will fix prices or prevent prices from varying, as they should, with every form of fair competition. If one merchant is able to buy for less than his competitor he may, under this provision, sell for less than that competitor. If one merchant is able to operate more economically than his competitor he may, under this provision, pass these economies on to his customers. If a merchant wishes to sell at a loss he may, under this provision, do so. All that he may not do is to incur such a loss that he does not provide for the cost of his actual labor (or such allowance for it as may be fixed by the Trade Authority). If that be price-fixing, then a provision against the selling of goods below invoice-cost would also be price-fixing, likewise a provision against giving goods away. In all of these cases, the principle is exactly the same—the principle of loss-limitation and not the principle of price-fixing.

As everyone knows a retail store sells something more than merchandise. It also sells service. The cost of that service, counting all types of stores, averages 26 per cent on volume. One half of this service cost, or 13 per cent goes for wages and salaries. When a store consistently sells below its labor cost, labor inevitably suffers. One price-cut begets another until a destructive price-war is in full swing. Workers are then laid off, salaries are cut and working-conditions suffer.

Another familiar charge against the "loss-leader" provision is that it will increase prices to the consumer. All thinking people know that, in the larger sense, this is not true. They know that, when a store sells merchandise at a price that does not include the cost of actual wages, it does not do so to enrich the consumer and it must inevitably make up this loss by increasing its prices on other merchandise. One of the oldest and truest maxims in retailing is that no store can consistently sell goods at a loss without eventual bankruptcy.

Owen D. Young stated the case perfectly when he said, in a recent radio address, "Capital which overreaches for profits, labor which overreaches for wages or a public which overreaches for bargains will all destroy each other." Leaders of thought among consumers have been quick to realize the truth of this statement as it applies to them. At the code hearings the sole spokesman for consumers denounced the use of "loss-leaders" as a device to fool the public and as a favorite weapon of predatory and cut-throat competition.

Last, but not least, critics have again charged that this "loss-leader" provision will destroy competition in retailing. The only kind of competition that it will destroy is that (using the words of General Hugh S. Johnson) "piratical, cut-throat competition which has brought American industry to its knees." It will not destroy one iota of that fair competition which is the life of trade.

Most of us have found that business and warfare have much in common. Business competitors, like warring nations, eventually gravitate to the level of the lowest. The fourth year of the depression found retailers attempting to destroy each other, sweating labor and spreading chaos. If this be the cost of "price-freedom" (the new name that some of our "rugged individualists" have given to ruthless price competition), then I maintain that the cost is far too high.

Nobody sincerely believes that this "loss-leader" provision in the Retail Code will destroy competition in retailing nor will any of the other fair-practice provisions of the Retail Code destroy competition in retailing. On the contrary, these provisions will go far toward saving retailing from those who seem willing to destroy it for their own selfish ends.



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Mystery or Mathematics?

BY JOHN A. OSOINACH

Secretary-Treasurer and General Attorney, Piggly-Wiggly Corp.

A SHORT time ago a small town merchant asked a friend of mine to help him with some of his troubles.

"This depression has simply murdered my business," the merchant said. "I have no working capital left; I can't meet my bills."

My friend set to work over the merchant's statements. After a day or two he saw him again.

"You've accused the wrong criminal," he told him. "It isn't the depression that has killed your business. Your inventories have choked it to death."

And it was true. The merchant had several thousand dollars too much tied up in merchandise that could have been, and later was, converted into money. His bills were paid, his creditors made happy, his peace of mind restored, and his turnover speeded up by the elimination of surplus stocks and sizes. Resiliency was restored to his operation and today his final net profit is reflecting the result.

Back of every business, whether large or small, lies a financial structure. It is the embryo out of which the flesh and blood body is formed. If it is sound the business is likely to flourish. If it is built on guesswork, and the objective is vague and ill defined, the business will be severely handicapped.

It may be something shrouded in mystery before which the chief accountant bows down and worships thrice daily, or it may be a compass by which the executive steers a straight course through the shoals of recovery.

At the outset, there is the problem of capitalization. Whether the enterprise is incorporated or not, there must be some capital investment. If it is too high, there will be a surplus of funds which will not be required in the business. Either the individual proprietor or some official of the company will spend precious time determining how to employ this money gainfully, or it will lie unused and the individual or the stockholders will receive too small returns upon the investment. If the capitalization is too low, the undertaking is almost inevitably foredoomed to failure for the lack of sufficient working capital. If the capital is not properly distributed to the uses and purposes to which it should go, the result is likely to be equally disastrous.

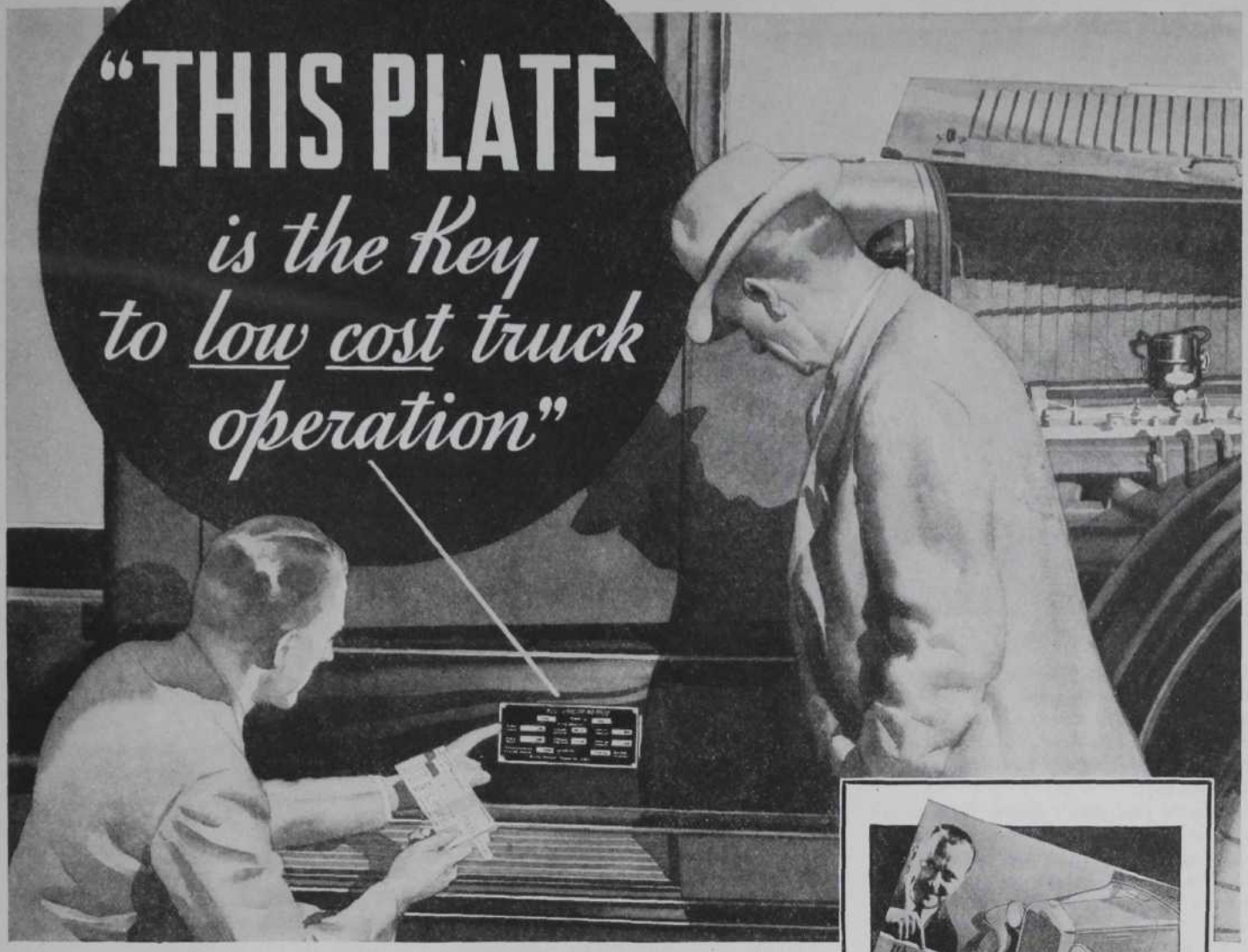
It is, perhaps, too much to expect that John Smith, who wants to establish a grocery store will pause in the midst of his duties of preparation to devise an articulate financial plan. If he is a good business man, he has all of these matters more or less vaguely in mind; and as time permits, he will think them over and do what common sense seems to dictate. It may be right or it may not. The chances are that he will evolve a rather sketchy, uncoordinated, hit-or-miss plan, the initial errors of which will bedevil his footsteps as long as he remains in business. In the same manner, after he gets under way, he will take an inventory when he can find the time; and he will produce an occasional balance sheet and earnings statement, which he will look over and conclude that he is getting along well or poorly. If the latter, it is likely that he will seek to remedy conditions by working a little harder or by giving his customers more sales talk. Nothing can take the place of salesmanship, but additional sales talk per customer may be the difference between diplomatic and sales-impelling self-restraint and the creation of sales resistance. All the while, the real reason for John Smith's poor showing may be an insufficient or improperly prepared operating statement.

Changing loss to profit

I RECALL the case of one man who asked the Business Analysis Service for help. The Piggly-Wiggly Corporation set up this service four or five months ago for the guidance of each of its members in developing and maintaining a correct financial structure. The month this merchant asked for help, his net loss was approximately $500. The next month, after the Corporation's staff had instituted a few simple changes, his net profit was about $2,500.

In this particular case, the transformation was brought about not only by a study of the operator's figures but also his personnel. Layouts of his stores were submitted, and recommendations were made for remodeling some of them, but without the purchase of a dollar's worth of additional fixtures. Painters and cleaners were sent from store to store, usually at night, at low cost; broken panes were refitted, walls cleaned, floors scraped and varnished, fronts repainted. Money for this work was obtained by making an accurate study of how much

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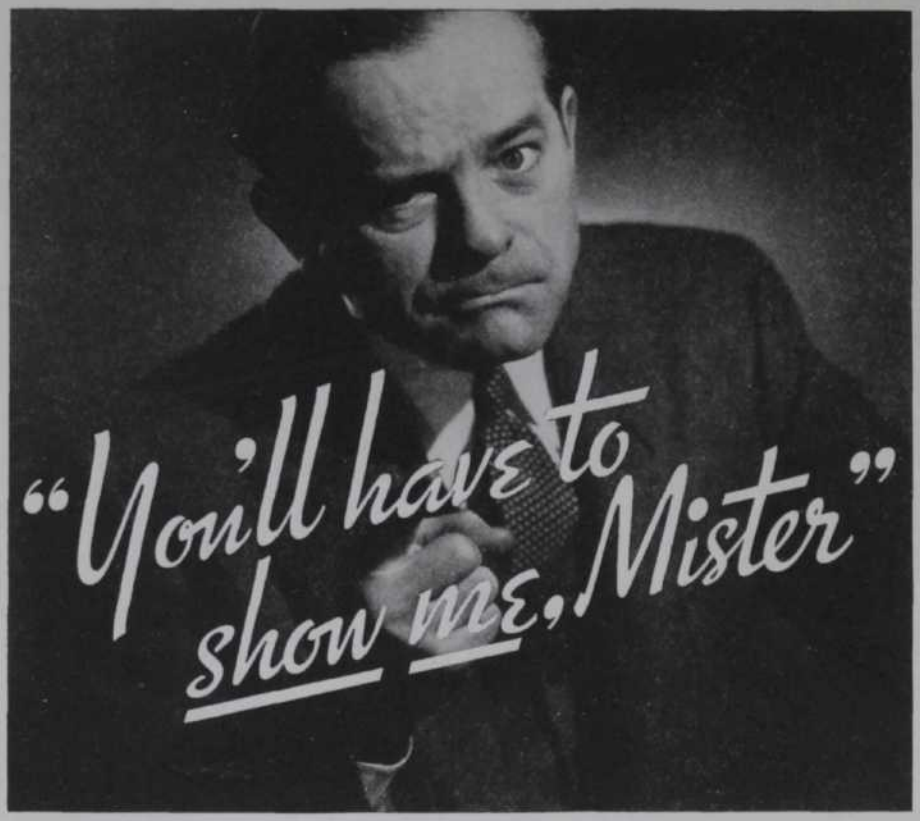
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Firm Name.....*Address*.....

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petty cash each store really needed in its cash register, and the overage was used to pay for the clean-up and paint-up campaign. At the same time, the personnel was overhauled. Managers who were not measuring up to their opportunities were dismissed or transferred, better supervision provided, educational meetings for the entire staff instituted. This is a cash and carry business, but it was found that some of the store managers had been giving odd lots of credit here and there. Tactfully but firmly, this was eliminated, and in one month the company's cash balances were up $3,800. No money was spent on promotional efforts. The entire change was brought about by the correction of these operating defects, no one of which seemed important in itself although the sum total of them meant the difference between a discouraging monthly loss and a substantial profit.

A warehouse too costly

THEN, there is the case of an operator whose warehouse overhead ate up the profits of his stores. The trouble was that he did not have enough stores to justify the maintenance and operation of a warehouse. When he finally discontinued his warehouse, after working out a fixed arrangement with a jobber, his profits remained where they belonged.

Night deliveries appear to be the answer to a third operator's transportation problem, still pending and made more acute by NRA requirements; and, in addition, the Corporation has put the operator in touch with sources where he can obtain a patented removable vestibule device which makes such deliveries possible without permitting the delivery crew to have access to the stores themselves.

Another operator was suffering because of too much depreciation on his fixed assets. They were bought in boom times, insufficiently depreciated formerly, and excessively depreciated at present in an effort to equalize a bad accounting situation. An examination of his balance sheet led to the suggestion that a sufficient amount of surplus be applied as a write-off against fixed assets to put the depreciation reserve in proper condition; that the fixed assets be reappraised to show their real value today and a new depreciation schedule set up. A mere bookkeeping transaction? Not at all; a revision of his financial structure to permit his stores to show earnings that they really are making, but which have been hidden beneath the shadow of an accounting mistake made years ago.

Examples might be multiplied but these will suffice to show the need of a proper business structure. Perhaps some individual merchant is smart enough to succeed in spite of the lack of a financial plan but no one who is investing his

own or other people's money in a business has a right to rely upon getting such breaks.

As a shrewd business acquaintance of mine said recently, people used to make money accidentally but in the future they are going to have to make it on purpose.

That is undoubtedly true. Notwithstanding NRA, or perhaps because of it, competition is going to be keener in the future than it has ever been. It will not be cut-throat price competition. It will, rather, be the competition of brain with brain, of merchandising ideas and ability with other merchandising ideas and capacities.

In this new competition, the merchant must, as never before, know how to set up his balance sheet, keep his records and obtain his earnings statement each month. He must know what proportions of his investment should be fixed assets, inventories and working capital; the proper rates of depreciation on his fixed assets; the correct way to amortize leasehold improvements over the terms of the respective leases; what he should set up, if anything, for good will.

In other words, he must know how to shape his financial structure that his earnings statement will accurately reflect the results of his operation. Many a merchant has dragged his unhappy way through a weary and discouraged career over something as simple as an improper depreciation schedule, which causes his statement to show up in the red, when he was, in fact, making as much money as conditions justified him in expecting. Others have set up large amounts for organization expense or created good will, and have wondered sadly why their bankers seemed to distrust their statements.

A new day for retailers

INTELLIGENT facing of the facts and courageous handling of the consequences growing out of them will, I believe, aid in pointing the way to a brighter day in the annals of American business.

It seems to me that the night is almost gone; the sinister forces that produced the depression are almost spent. It is to be hoped that we have been purged by the uses of adversity of much that is superficial, much that is deleterious; that haphazard methods of doing business are obsolete. If the depression has taught us anything, it has taught us that proprietors, executives and managers must have a firm control of their business.

The best way to maintain such control is to be in possession of all the pertinent facts about the business. Balance sheets, earnings statements and statistical data are the windows through which we view the internal structure of our operations.



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Greatest name in the cereal business, largest producer of ready-to-eat cereals in the world — KELLOGG! 12,000,000 people eat Kellogg's Corn Flakes daily.

Almost one home out of every two buys it! More than 2,000,000 quarts of milk and cream are consumed each day with it.

Truly, a world-famous product backed by an outstanding sales and service effort that never relaxes.

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Our answer: "THE MIRACLE OF CORN"— it visualizes the romantic Kellogg story and does a highly successful job in speeding millions of cartons from counter to consumer. The first year, more than two millions saw it at exhibitions throughout the United States, provided by Castle.

If there's a story in your business, *we'll find it* and transplant it to a living, moving, talking, *selling* film.

Twenty years' experience has taught us what belongs in a profitable business film and what *does not!* When Castle goes to work — your business film will pay!

What television *may* provide in years to come, CASTLE FILMS give you *now!* Action! Music! Drama! Talk! On one screen or thousands of screens — before selected groups in every town in the nation!

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(NB-4)

Cutting the Cost of the Next War

(Continued from page 44)

generally meant, not the replacement of some older weapon, but the addition of the new one.

One of the reasons French Army leaders failed to recognize the value of the machine gun before the Great War was that in the Franco-Prussian War they had made the mistake of thinking that the machine gun of that time could replace field artillery.

In the Great War, not only did the number of machine guns greatly increase, but also the number of field guns. In other words, the machine gun, when it came into its own, far from replacing the artillery, led to a tremendous increase in the latter arm.

Relying on torpedoes

AGAIN, at the height of the popularity of the torpedo, the French, led by a few naval officers and numerous enthusiastic civilians, proclaimed that the day of the battleship was done. The "Young Marine," as these enthusiasts called themselves, succeeded in putting a new Minister of the Navy, one of their number, in power.

The period during which this school of thought governed the French Navy was approximately the period in which the Germans built up a navy which was soon to challenge the British mastery of the seas.

During this period, the French taxpayer put up 3,500,000,000 francs for the deterioration of his navy. During approximately the same period, the German taxpayer put up 3,090,000,000 francs to build up his to a strength which would have enabled it to have swept the French fleet from the seas had it not been for British aid.

In the Great War, despite the activity of submarines, the destruction of warships by gunfire far exceeded that by torpedoes. Only one first-class battleship was sunk by a torpedo, and this was not done in battle. In the Jutland Battle, one battleship and one battle cruiser were torpedoed but did not sink. They continued in action until the end of the battle, then steamed home, were repaired and later rejoined their fleets. Four such ships were sunk by gunfire, and many others were so damaged that months were needed to refit them for active service.

In the Battle of Jutland, the heavily armored battleships remained afloat and fighting despite terrific pounding by gunfire. The lightly armored, or unarmored speedy cruisers, which are desired by our aviation enthusiasts—just as they were by the French torpedo enthusiasts—were quickly sunk.

As in every other form of fighting, victory at sea can be won only by those weapons which can both give and receive terrific blows for a long time.

The facts as determined in the Great War and in experiments since show that today airplanes cannot destroy heavily armored ships as effectively as can guns.

The reason is simple. Battleships are designed to withstand the terrific pounding which 15 inch and 16 inch guns can give. Projectiles from these guns can penetrate armor which an airplane bomb cannot. These guns can fire continuously for a long time. A bombing plane cannot equal this fire because, when it has dropped its bombs, it must go many miles to get more. The only thing which the planes can do which the guns cannot do is to reach ships at great distances.

Our Army has carried out careful experiments to determine what damage aviators flying low can do to troops on the ground. These experiments have shown that troops, if caught in column on a road, will suffer heavily. They have shown that deployed troops will not.

Aviation has tremendously increased its combat power since the Great War. It will continue to increase it. In the next war, it undoubtedly will attack ground troops. It will attack ships at sea. It undoubtedly will sink unarmored or lightly armored ships. Probably tremendous concentrations of planes will now and then sink a heavy battleship, after serious loss to themselves.

Supplementary forces

SIMILARLY, experiments show that, in war between first-class powers, mechanized forces will supplement rather than supplant the infantry, field artillery and cavalry.

As against irregular native troops or tribesmen, such a force, particularly if well supported by aviation, can largely, but not entirely, replace the older arms.

This is the sober, considered British opinion. They have spent more money on mechanization than any other country and have the largest mechanized force.

In an army of millions, a mechanized force can replace a limited fraction of the older arms. In a small force, such as our Regulars and National Guard, it cannot.

Unless our taxpayers wish to repeat the bitter experience the French suffered when they tried to replace artillery with machine guns, and later battleships with torpedo boats, we will build up our Army and Navy aviation and bring into existence the mechanized force we now lack as additions to our existing battle-

ships, infantry, cavalry, and field artillery and not as replacement for them.

One of the things which has caused us to spend hundreds of millions of dollars with no adequate return is our tendency in international affairs to allow sentiment to blind us to reality.

As the immediate result of the Washington Arms Conference we spent approximately $100,000,000 to destroy seven new battleships and four new battle cruisers. Had we not destroyed these ships we would not need to spend the $275,000,000 which has recently been allocated to the Navy from Public Works funds.

Swayed by sentiment

ANY one who reads the record of the Washington Arms Conference, 1921-22, will see that the American proposition as advanced by Mr. Hughes called for a *quid pro quo* by the other naval powers for the sacrifice which he proposed that we should make. A comparison of Mr. Hughes' proposal and the result of the conference will show that we did not get it.

Had we faced the hard facts of the situation instead of sentimentally insisting that the conference be a success, we would never have signed the treaties emanating from the Washington Conference.

At London, in 1931, we were swayed again by the sentimental cry that the Conference must not fail.

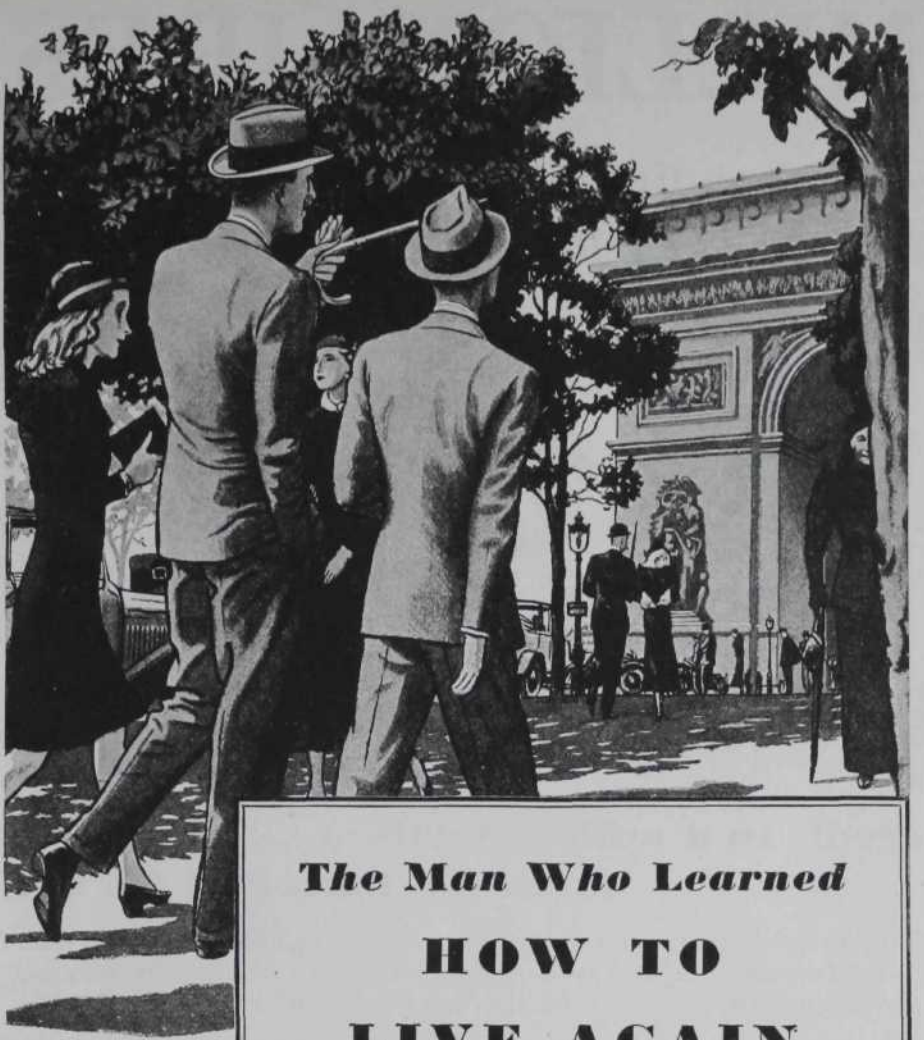
As a result we face the necessity either of building six-inch gun cruisers, unsuited to our needs, or doing without the number of cruisers we should have.

If this could be dismissed as water over the dam, there would be no need to call attention to it here. However, in less than two years we will be confronted with the naval conference of 1935, prescribed by the treaties we signed at Washington and London. Both Great Britain and Japan are already intimating that they intend to demand a still higher ratio with respect to ourselves than they have today.

The idea that setting an example in disarmament will protect us from aggressive action, and lead others to follow, is not borne out by events. Early in the Great War both belligerents violated our rights at sea. The Germans believed that, even if aggressive action brought us into the war, they could win before unprepared America could send sufficient troops to exercise a decisive effect.

Those who, like the writer, faced the German *Friedensturm* on the plains of Champagne, July 15 and 16, 1918, know how nearly right the German estimate was.

Since the Washington Arms Conference, every one of our naval construction bills has included a clause authorizing the President to suspend naval con-



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HE SLAVED like a Trojan all this past winter. And it's just about four years since he had a real vacation. As for his family, they had become almost strangers to him. . . . A common enough case of all-work-and-no-play . . . of a man's sticking to business until business stuck to him.

"Travel!" said his friends. "Let's!" said his family. And now he's really living again . . . enjoying his children's eager response to new sights and scenes . . . enjoying his own sense of freedom and relaxation. France does that to people!

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For all its extra attractions, a trip on this France-Afloat costs no more. And shipboard expenses have been adjusted to the value of the dollar. . . . Any travel agent will be glad to help you plan your trip this summer, without extra charge to you for his services. . . . French Line, 19 State Street, New York City.

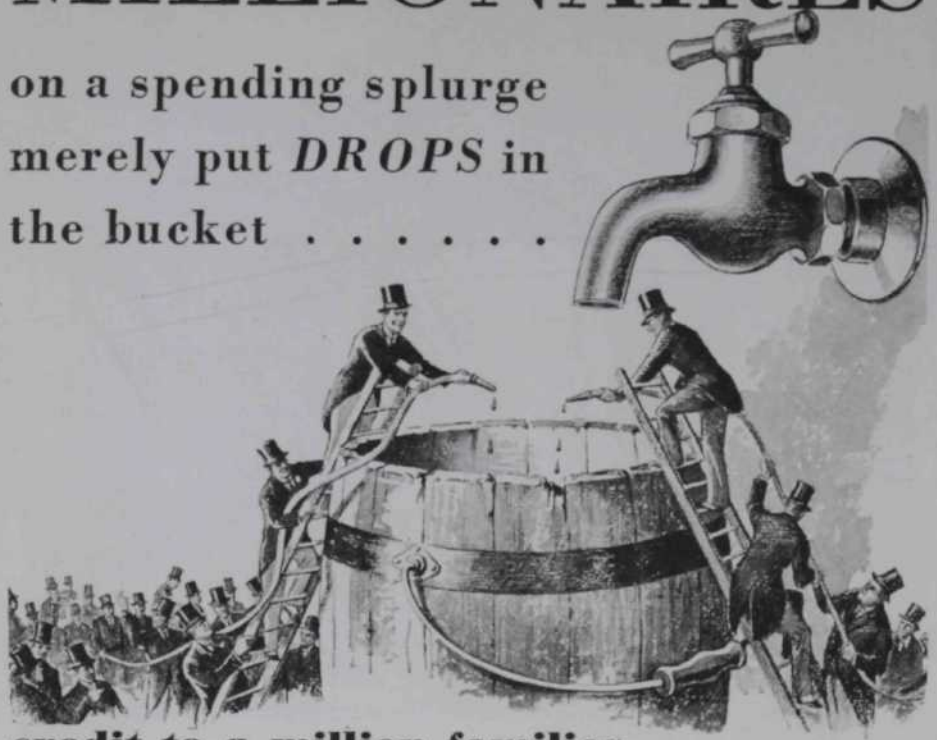
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Commercial Credit Company purchases open accounts receivable, notes, and instalment lien obligations from responsible Manufacturers, Distributors and Dealers. Financing plans are provided to cover the time payment sale of automobiles, refrigerators, oil burners, machinery and equipment, air conditioning units, heating plants, store and office fixtures, boats, and a score of other such broad classifications, including hundreds of individual products. The service is national in scope, yet completely local through one hundred and twenty-five offices located in the principal cities of the United States and Canada.

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struction provided negotiations for disarmament succeeded. Our Public Works bill includes a similar clause for mechanization and motorization of the Army.

None of the negotiations, except at London in 1931, have ever been consummated. None of the other nations have followed our example in voluntary disarmament.

Another argument which seduces the taxpayer in time of peace is that of the enthusiast who proves that if your first line of defense is strong enough, you need nothing back of it.

The best example of this is the English "blue water" school which argued that with a strong enough navy, Britain need never fear invasion, and, therefore, did not need a large army. This school overlooked the fact that the business of a war fleet is not to patrol the coasts but to keep the enemy's main fleet from opening the sea for the passage of its troop transports.

Now with the need of finding money to build our Navy to treaty strength, thus overcoming its present dangerous weakness, American exponents of the "blue water" school are beginning to repeat these same arguments.

However, today they have rivals in the aviation enthusiasts who are proclaiming that, with a strong air service, we need neither a navy nor an army.

The fact is that, with enemy planes capable of flying in from hundreds of miles off our coasts to bomb our cities, we more than ever need a navy to meet and destroy enemy ships before they can bring planes within flight range.

Great force is needed

HISTORY from the time of the French Revolutionary and Napoleonic Wars shows that even defensive warfare against one or more great nations inevitably demands the maximum effort. In other words, a large army must be raised and maintained if victory is to be gained.

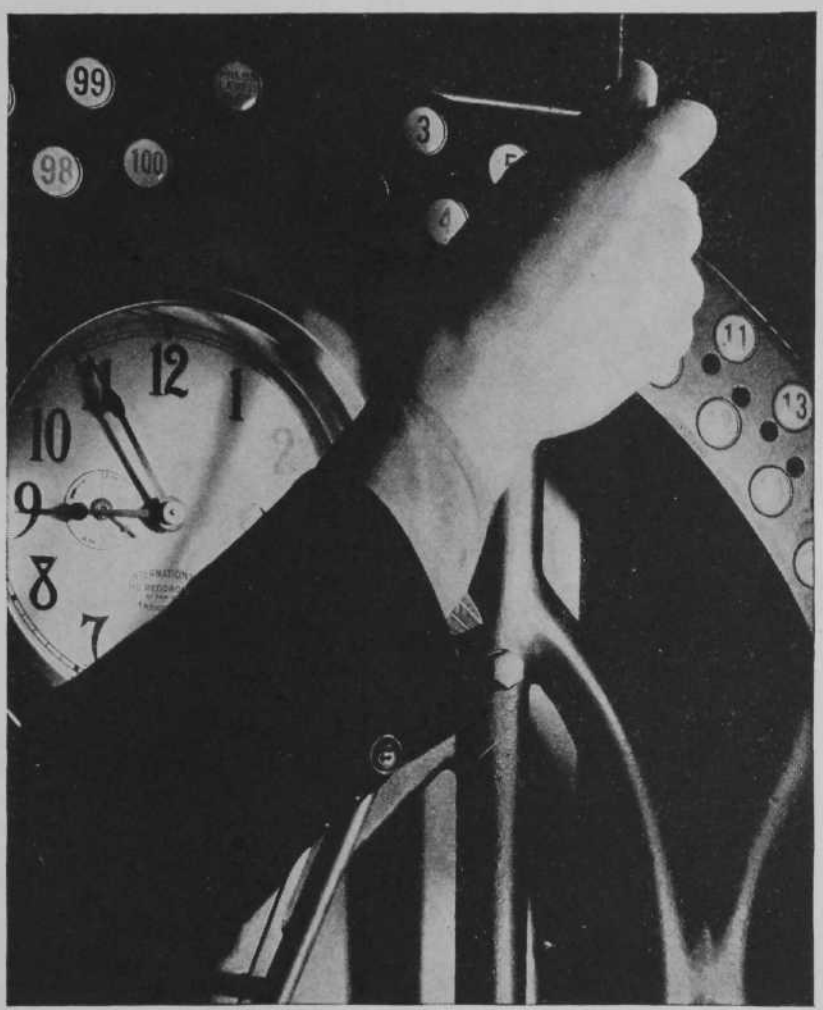
Therefore, it is necessary to have a plan such as that envisaged in our National Defense Act of 1920, which, although calling for only a small peace-time standing army, provides machinery for rapid war-time expansion to permit a maximum armed effort.

Both this country and Great Britain have contented themselves in the past with peace-time forces incapable of expansion for the needed maximum military effort. Before the World War, certain British leaders believed that a small expeditionary force for service on the Continent and a home defense force would be sufficient. Before the end of 1914, however, events proved the error of this view. Lord Kitchener was then hurriedly called to organize the maximum British military effort, with neither machinery nor even a plan to aid him. Out of this grew a large share of

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the tremendous war debt which now burdens the British people.

We have had similar experiences in our own Civil War. When Sumter was fired upon, the North called out 75,000 volunteers for 90 days. Instead of 90 days, the war lasted four years and instead of 75,000 men, the Union had a total of 2,700,000 under its battle flags.

Much of the $5,500,000,000 the Civil War cost us, plus the millions paid out in pensions since, would have been saved if, in April, 1861, the Union had immediately adopted a plan to make a maximum military effort.

Too few troops for the expenses

FROM first to last, nearly 400,000 volunteers were raised to fight in our Revolution. Yet, in 1781, Washington had under his immediate command at the siege of Yorktown only 29,000 troops. Each of our infantry divisions in the Great War had a strength of 28,000.

From 1812 to 1815 we called out and paid, equipped, armed and fed a total of 527,654 men. Yet the greatest force we ever assembled on one battlefield was 6,000. Most of the so-called battles we fought with 1,500 to 2,000 men. Our capitol was burned by a force of but 5,000 British Regulars. Had a trained force of 100,000 been available within a few weeks after war was declared we might have ended the war in a year, instead of four. In other words, we paid for 400,000 more troops than we needed with a corresponding increase in costs.

For the Mexican War we called out, paid, fed, armed and equipped 104,000 men—at least double the number needed. Also, the war lasted twice as long as it would have if we had had a plan.

In the Spanish-American War, we called out, paid, fed, armed, equipped and gave medical attention to 282,000 men. The records of the war show that, had we had a proper plan making 100,000 trained troops available within a few weeks, we could have taken Cuba, Porto Rico and the Philippines in much less time.

General Pershing in his memoirs says, "It is not extravagant to assert that the addition of 500,000 American combat troops in early spring (1917) would have given the Allies such a preponderance of force that the war could have been brought to a victorious conclusion before the end of that year."

Had George Washington's plan been in existence, had General Wood succeeded in 1911 in getting a plan adopted, had the General Staff plan of 1915 become law, we could have expanded our peace-time force to this number economically and efficiently within a few weeks. The adoption of a naval building program, similar to that of 1916, in 1911 would have made our Navy ready.

Had we done both, our taxpayers today would be paying only a fraction of the $23,000,000,000 our military effort is costing, to say nothing of much smaller pension costs.

The National Defense Act of 1920, if its basic provisions are followed, will at least partially prevent a repetition of these costly mistakes. A coordinated plan for all our defense forces will do more. This plan should provide an adequate combat navy with the fullest development of its air arm and an expandable ground army of the older arms, strongly supported by a mechanized force and an air service large enough to meet every possible demand. Our merchant marine, our civilian air lines and our great industries should be closely coordinated with these. We need but slight changes in our existing governmental set-up, plus the correct use of what we already have, to formulate such a plan.

The Great War proved the value of the General Staff system as a means of getting the maximum military efficiency at the minimum cost.

Our Navy needs a General Staff because the General Board which nominally does its work lacks the power to enforce its decisions. Our Army General Staff, excellently organized for war, shows certain weaknesses in peace-time dealings with the civilian soldier and industry. These two defects can be readily remedied.

The military and naval affairs committees of the Senate and House provide the necessary legislative machinery. They need only to suppress the constantly growing tendency, particularly in the House, to legislate through appropriations.

The Joint Board of the Army and Navy provides a proved means of coordinating the two services.

Should the President exercise his right as commander-in-chief to preside periodically over a combined meeting of the Joint Board, and the chairmen of the Senate and House military and naval committees, adequate coordination to produce and carry out a plan by which every tax dollar would produce the maximum, national defense would be a certainty.

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PROFESSOR EDWIN R. A. SELIGMAN, of Columbia University, in the *Independent Journal*, published by the Pulitzer School of Journalism.

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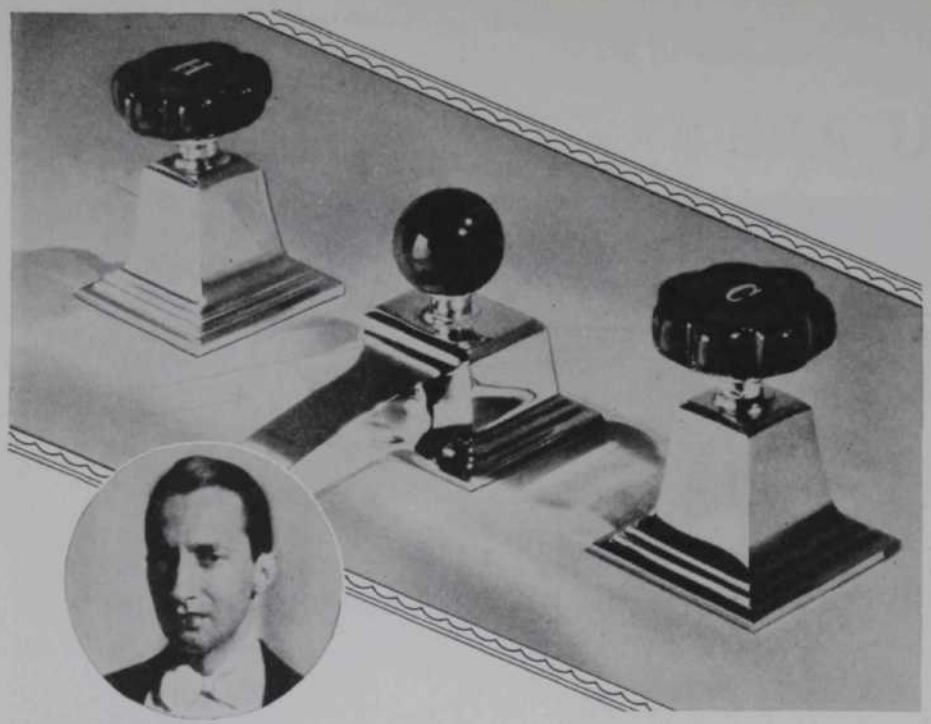
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George Sakier says

..."An actual working relationship between engineering, merchandising and design—each developed to a high degree—would be of real advantage to Industry"

THE UGLY OLD STYLE brass water faucet of a generation or so ago, provides an excellent example of engineering minus design. It enables you to turn water on and off at will, so you tolerated it because of its utility. But when the talent of the artist-designer supplemented that of the engineer, a water faucet became a thing of beauty, and design became a significant and important merchandising and sales factor. Faucets and other plumbing fixtures in kitchen and bathroom had to meet the test of beauty as well as utility. People gladly paid more money for devices of greater beauty.

Artist-designers are constantly on the lookout for new materials and finishes to use as mediums for the practical interpretation of their ideas. In the faucet set shown above, Sakier has used hand wheels and knob of lustrous black Bakelite Molded in effective combination with gleaming chromium plated metal. He, like other designers, has discovered that the inherent beauty of the several types of Bakelite Materials, their adaptability and moderate cost make them most desirable for the practical production of many products.

We invite manufacturers of devices and appliances to consult us about the opportunities that Bakelite Materials afford for the practical and economical improvement in product design. We also would be glad to mail copies of illustrated descriptive booklets 1M and 1L, "Bakelite Molded" and "Bakelite Laminated". A line from you will bring prompt response.

★*George Sakier, 40 W. 40th St., New York, is design counsel for American Radiator & Standard Sanitary Corp., chief designer for Fostoria Glass Co., and is widely retained by architects and decorators for special design work. He is also a designer of automatic machinery for quantity production equipment.*

BAKELITE CORPORATION, 247 Park Ave., New York . . . 43 East Ohio St., Chicago
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A Plan for Recovery

NEWARK Merchants have undertaken to sell $229,000,000 worth of merchandise this year as their contribution to business recovery.

They have taken this total as a voluntary quota, based upon 70 per cent of the business volume of 1929. The new volume allows both for the decline in prices since 1929 and for the changed financial circumstances of many Newark residents.

Each branch of business has been allocated a definite quota likewise based on what it did in 1929.

All these quotas are based upon the Department of Commerce census figures of 1929. The 30 per cent reduction is made arbitrarily and is fixed upon as the rate retail business must attain to guarantee continued and expanded factory employment, as sought under the NRA.

The business quota is the central feature of an Eight Point Plan for Business Recovery, which Newark has instituted as the best means for developing business there.

The plan was adopted in Newark by Mayor Ellenstein, as Chairman of the local NRA Committee, and it has been put into effect with the cooperation of business and industrial forces, supported by the educational and fraternal organizations.

The Eight Points of the plan summarized, provide:

1. Reduction in the cost of government.
2. A definite goal for buying.
3. Prosperity begins at home.
4. Establish employment assurance.
5. Collect systematically old clothes and home articles.
6. Pay accrued taxes and debts.
7. Provide NRA success through cooperation of capital, labor and the consumer.
8. Pledge time to help make details of the plan successful.

Through the plan every resident of Newark is given a definite rôle in helping bring back normal conditions.

So far the campaign has had these definite results: More than 30,000 workers have been assured of the complete cooperation of their employers in maintaining work.

Retail business in the city in the first month of the year increased about ten per cent over January last year.

Sales at the automobile show in January were the best in three years.

All of this has been accomplished practically without cost except for printing and promotional material. Nearly all the work has been done by volunteers.

—DAVE M. MCDONALD

A Nation Without Trade-Marks

(Continued from page 40)

marked. And no dealer can remove the mark.

The sales manager took the first train back to his factory and spread the paper before his boss.

"So a Bureau is going to put a mark on our product, is it?" exclaimed the manufacturer. "Some clerk in Washington is going to decide whether we can sell, is he? Well, for 40 years we've been letting the American public decide that and they have treated us right because we've treated them right. Our trade-mark means more than some bureaucrat's say-so and always will!"

"Not in Russia," put in the sales manager. "We can't even advertise to consumers in Russia."

"Well, thank goodness, this isn't Russia!"

"A few people are trying to make it that way!"

A few minutes later, when he had cooled down, this manufacturer went on:

"You know, it's a funny thing, but I'll bet those tinkerers down there in Washington really think what they are proposing would be a good thing. Instead of theorizing about it, why don't they go to Russia and see how things are going on in a country without trade-marks?"

* * *

With red hands the women in front of the hotel in Moscow drew their shawls more tightly over their heads to shut out the biting wind. The men stamped their high boots and blew steam through their straggly mustaches.

Admiring American Cars

THEY stood in a semi-circle staring at the American-made limousine at the curb—one of the fleet of 40 run by *Intourist*, the organization entrusted with the duty of showing to foreigners those phases of Russia which will make the right impression. Detached from the stream of people which swept along the sidewalk and spread into the street, these city workers and peasants from the hinterland gave themselves up to staring. They stared at the wheels and the door handles and at the name-plate. They peered through the windows. They stood on tip-toe to stare at the top. It's the popular Muscovite sport—staring—and by staring these mediaeval children learn.

The chauffeur glanced at the wide-eyed circle, flicked the ash from his cigarette and settled down in the deep cushions. His beady eyes looked straight

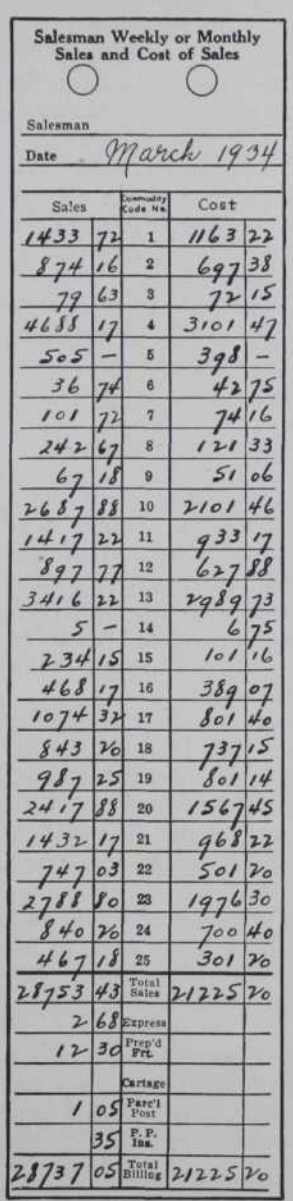
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PEG-BOARD FORMS

SAVE TIME, MONEY, MISTAKES



Salesman Weekly or Monthly Sales and Cost of Sales

Salesman

Date March 1934

Sales		Commodity Code No.	Cost	
1433	72	1	1163	22
874	16	2	697	38
79	63	3	72	15
4688	17	4	3101	47
505	–	5	398	–
36	74	6	42	75
101	72	7	74	16
242	67	8	121	33
67	18	9	51	06
2687	88	10	2101	46
1417	22	11	933	17
897	77	12	627	88
3416	22	13	2989	73
5	–	14	6	75
234	15	15	101	16
468	17	16	389	07
1074	32	17	801	40
843	70	18	737	15
987	25	19	801	14
2417	88	20	1567	45
1432	17	21	968	22
747	03	22	501	70
2788	80	23	1976	30
840	70	24	700	40
467	18	25	301	70
28753	43	Total Sales	21225	70
2	68	Express		
12	30	Prep'd Frt.		
		Cartage		
1	05	Parc'l Post		
	35	P. P. Ins.		
28737	05	Total Billing	21225	70

FORMS designed for maximum efficiency are used with the Comptometer Peg-Board method. This method is adaptable to any volume of sales, payroll, material, expense, and other analyses. It produces *final* results from *original* figures by speeding the work and reducing errors. And no elaborate mechanical equipment is necessary. Properly designed forms, plus the Comptometer Peg-Board combination, do the job quickly, easily, economically.

A typical Peg-Board form is reproduced at the left. Holes indicated at the top of the form are punched so that the forms may be "shingled" or overlapped on metal pegs across the board. Thus only the items to be distributed are visible. Sounds simple, and it is . . . but a lot of study and experience go into designing the forms correctly.

Comptometer representatives are skilled in designing suitable forms. Let one of them study your problem and suggest the proper form for your work. Just such a study for a California growers' association saved them $9000 a year! For further information fill out the coupon below. No obligation. Felt & Tarrant Mfg. Co., 1712 North Paulina Street, Chicago, Illinois.

FELT & TARRANT MFG. CO.
1712 N. Paulina Street
Chicago, Ill.

Please advise how you can help us redesign our forms to get cost figures quickly, accurately, economically.

*Name*_____ *Address*_____

*City*_____ *State*_____

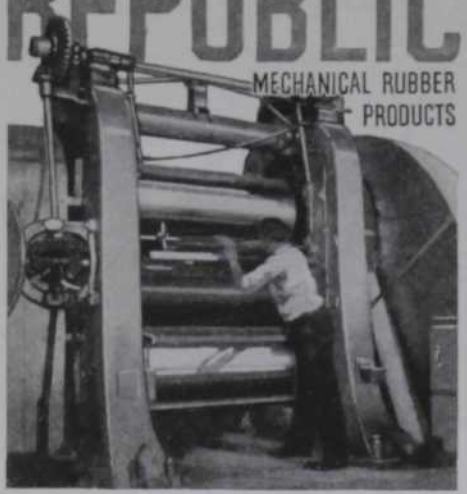
COMPTOMETER METHODS SPEED PRODUCTION OF COST FIGURES

COMPTOMETER
(TRADE-MARK)

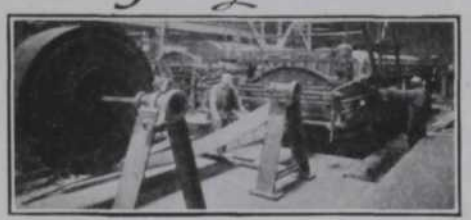
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For over 33 years Republic has met the exacting specifications of the nation's leading buyers of belting, hose, packing, molded products and extruded specialties.

Our noted staff of engineers and technologists offer their exhaustive experience in assisting you to solve unusual problems. From coast to coast leading distributors maintain ample stocks of standard items. You will receive the fullest cooperation in every phase of production and delivery service.

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ahead. His expression was a mixture of thanking his stars that he had a soft job in a country of hard jobs and of wondering what his wife could wangle from the food store for dinner.

The revolving door of the hotel whooshed, and brought to the pavement an American girl, a Russian woman guide and an American man.

"You are very lucky today," the guide was saying in her fluent English, "I have been fortunate to obtain permission for you to go through a bread factory."

She waited for the applause. It came in what must have been a disappointing volume. After all, there seemed to be more exciting things than traveling all the way to Moscow to go through a bread factory.

"We must hurry," added the guide and shouldered a path through the pedestrians and through the staring group. She gave the chauffeur an order.

"Da-da!" he answered. He might have said merely "Da" or "Da-da-da-da-da-da-da!" as they sometimes do. But in any case it would have meant merely yes.

The car honked its way through narrow streets, out into a less thickly peopled section and drove through the wire gates of the muddy yard before a concrete building.

Vivid posters and charts on the outside of the factory shouted to the world that here was an enterprise which had exceeded its quota.

Like any factory office

UP TWO flights of cement steps was a private office furnished with a flat-topped desk, a dilapidated leather sofa and a few straight chairs like any manager's room in any small factory. A bizarre note was provided by two or three drooping artificial potted palms ranged along one wall.

Here the visitors received the familiar request to take off their overcoats. Rough-dried long cotton coats of dingy white were provided in sizes which indicated that most of the visitors here were midgets. Then everybody sat down to wait.

The manager entered but nobody paid any attention to him. He went to his desk and began fingering papers as any capitalist manager does. Still everybody waited.

Then the door opened and a young girl of nineteen entered. She was dressed in the usual drab street clothes and looked as if she might be a clerk.

"Ah! Here she is!" exclaimed the guide.

"Who's she?"

"She is a specialist. She is a specialist about this bread factory. She will now tell us all about it."

"Specialist" is a great word in Russia. It means a lot or very little. It is used to describe a distinguished American consulting engineer or a machine-shop foreman from Pittsburgh or a Russian girl who knows about a bread factory.

She blinked hard and, in the sing-song voice of a school-child who has learned a piece, she spoke rapidly in Russian for six full minutes. When she stopped to draw a breath, the guide explained:

"You see, she says that formerly conditions were deplorable in bread-making here in Russia. Most of the bread was made under very unsanitary conditions, some in cellars and in other unhealthful places. Often the workers slept where they baked and sometimes they were diseased and they almost never washed."

The young girl was off again. She spoke with little stabbing gestures but without a break in the monotone of her flooding words.

Sanitation in bread-making

"NOW all that is changed," the guide began as the girl paused. "Here in this factory everything is sanitary and supervised. The workers change from their own clothes into white uniforms after they have taken compulsory shower baths. Their health is inspected."

"What happens to the bread when it leaves here?" asked one of the visitors. The guide repeated the question and received the answer.

"You see," she explained, "it is sent to different parts of the city in carts."

The Americans recalled an incident reported by a friend that morning. He had seen a bread cart which had collided with an automobile. The loaves were scattered in the mud. The driver was gathering them up, wiping them off and throwing them back into the cart.

"Where do they wrap the loaves?" asked one of the visitors.

"Where do they what?" asked the guide.

"Where is the protective wrapping of paper or cellophane put on?"

"The loaves are not wrapped."

"Oh."

If they carried no label, perhaps they were marked in some way for the protection of the consumer.

"Do they mark the loaves here in any way?"

"No, why should they?"

"To show that they were baked in this lovely clean factory."

"That's not necessary."

"Then how does anybody know who makes the bread?"

"They don't."

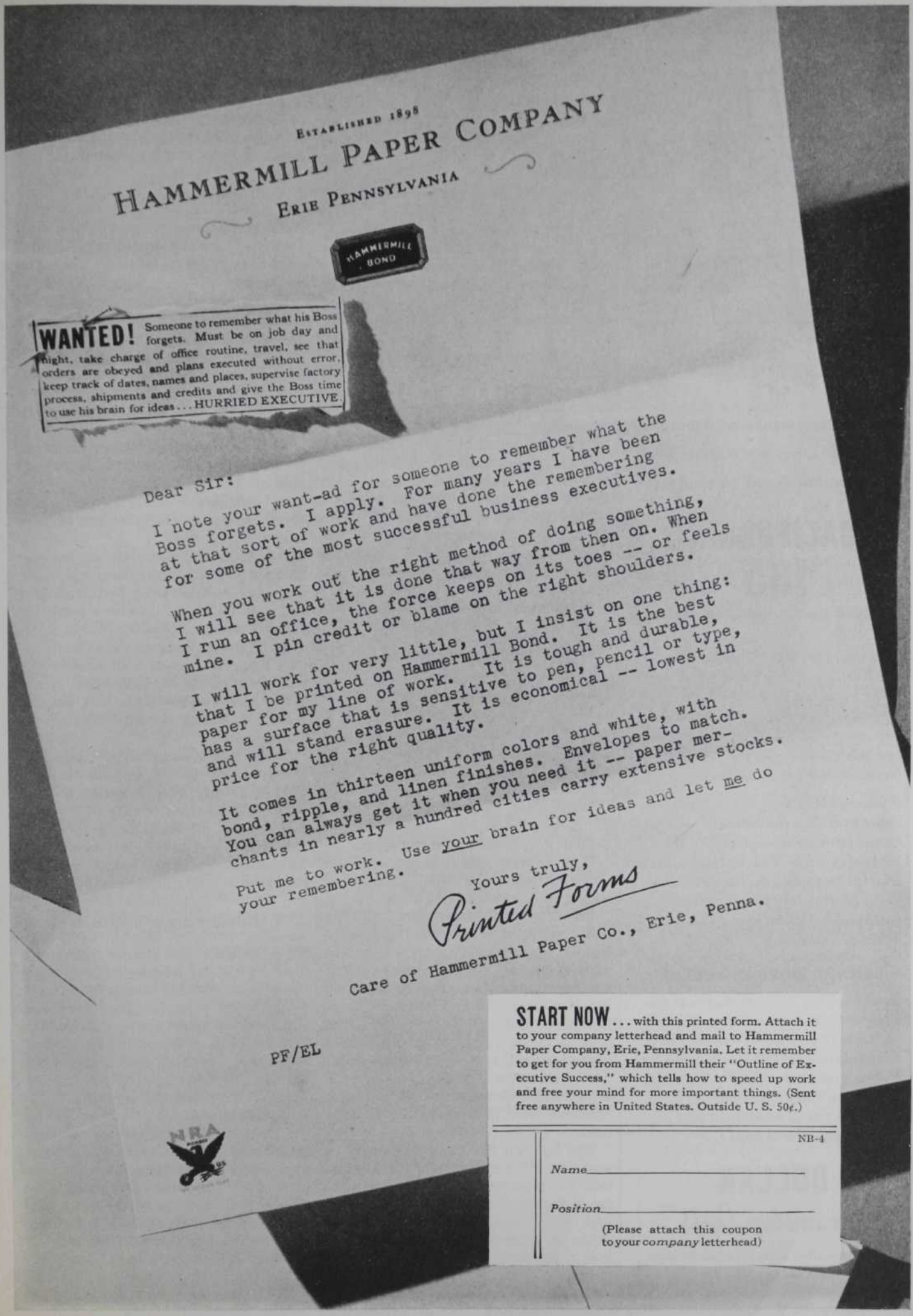
"Oh."

The specialist was ready to start her tour of the factory. She led the way to the cellar.

"This," whispered one of the Americans to the other on the stairs, "is where the flour is brought in and stored until needed."

The Russian girl was talking.

"You see," announced the guide, "this


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WANTED! Someone to remember what his Boss forgets. Must be on job day and night, take charge of office routine, travel, see that orders are obeyed and plans executed without error, keep track of dates, names and places, supervise factory process, shipments and credits and give the Boss time to use his brain for ideas... HURRIED EXECUTIVE
Dear Sir:
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A sailing every single week. Go as you please. Stopover as you choose. Continue on the next or a later President Liner. Roundtrip fares for Orient summer vacations are very low . . . And you may go Round the World for as little as $654, First Class. Get all details from *your own travel agent, or see or write . . .*

DOLLAR

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604 Fifth Ave., New York; 110 South Dearborn St., Chicago; 311 California St., San Francisco —and other principal cities.

is where the flour is brought in and stored until needed." Placing one hand on a pile of bags she explained that the flour was kept in bags.

Then everybody walked up five flights to the top floor.

A bare-footed woman worker was sweeping the dry floor into a cloud of flour and dust which drifted into the troughs of dough.

"The mixing troughs are here," whispered the American. The Russian girl spoke earnestly for several minutes.

"You see, the mixing troughs are here," explained the guide.

"Let's get out of here," suggested the American. "There must be something more exciting than this in Moscow."

Committee of workers

BACK in the private office, as the overcoats were being reclaimed a group of four or five men entered the room and ranged themselves about the manager's desk. They began talking, all at the same time. It didn't disturb the manager. He wasn't listening anyway. He couldn't, because he, too, was talking.

"It's a committee from one of the departments of the factory," the guide explained. "They have come to discuss some change in the methods of work."

"Makes me homesick," said the American. "It's so like a conference in a capitalist country I know."

"Oh, but in your country," the guide exclaimed, "of course the plight of the workers is intolerable."

"Is it?"

"Your labor has no voice in the conditions under which it works."

"Ever been in the United States?"

"No."

"Ever hear of code hearings under the NRA?"

"No. Why?" asked the guide.

"Don't forget, my dear," interrupted the other American, "that we came to Russia to observe, not to argue."

Frequently in Moscow a foreigner has to be reminded of this. He has gone to Russia, perhaps, with a great desire to see how this nation has pulled itself from a state of virtual slavery into economic independence. He encounters a complacent attitude which exasperates him beyond measure. He must continually remind himself that any progress at all must seem to these people to be supreme achievement. He must try to recall what Russians were like before the Revolution.

But he must not merely be ready to show, for courtesy's sake, great admiration for mediocrity. He must be prepared for an intense conviction on the part of most Russians that nothing good exists in America unless in some way it is to the profit of the oppressing capitalists.

On all sides one meets an attitude of cocksureness and pride in accomplishments which, compared to standards of living in the United States, seem not so very important. One meets, too, a complete refusal to believe that anything really worthy can exist in America. It is as if a boy of ten drew your picture on his slate and then announced that all portrait painters were amateurs compared to him.

Quick accomplishment

"SEE what we have accomplished in 16 years," a Russian will say. "It took your country 150 years to get where you are now."

"Yes," you may reply, "but you have taken the result of all that has been achieved by American and European engineers and civilized mechanical knowledge. You take our perfected machines and we have even taught you how to use them and how to repair them when you break them."

To a Russian, a machine is a machine. It should always perform under any kind of treatment, never break down, never wear out. When it does, that only proves again the incompetence of capitalism.

Nowhere is the difference between Russian and American standards of living more evident than in the making and distribution of consumer goods. In any crossroads store of the United States or in any neighborhood shop the American housewife buys, with convenience and with complete confidence in the maker, the everyday necessities which to a Russian woman would be infrequent luxuries.

In the memory of plenty of American women living today the old-fashioned type of grocery store is still clear—the store with its open barrels of crackers and pickles, its flies, its exposed and often-handled eatables. But never have they known the type of store in which the Russian woman does her marketing.

Buying sugar in Russia

IN A Moscow food store a little group of women stood silently looking about them. Each shawled head turned slowly as their eyes went over the shelves and surveyed the show window. A cabbage had the place of honor in the window.

"Is that for sale?" asked one of the women.

"No," answered the storekeeper. "It is for display."

Sometimes there are enough cabbages to sell a few. Sometimes there are carrots. The Russian housewife can never plan in advance what she can have for dinner. She must go to the food shop and see what they have that day and what her food card will let her get.

"What is that on the shelf?" cried one of the group. "Is—is it sugar?"

"Yes," was the answer.

"Can we buy it?"

"Yes, there is a good supply today—the first we've had for weeks." He told the price.

"How much can we buy?"

"All you want."

"*All we want?*"

"Yes."

There was a hurried consultation. Excitedly the women estimated their needs and their resources. They gave their orders.

"It is too bad," said the storekeeper. "But I have nothing in which to wrap it up."

Here was a desperate situation. Sugar, actual sugar, was almost within reach, and there was no way to get it home. If they went back to get containers, it would be snapped up by other shoppers before they could return.

Again the women went into a huddle. They found a solution and explained it to the storekeeper. He agreed to stand in a corner and close his eyes. Then his patrons methodically removed their petticoats, wrapped up the sugar in them, paid for it and went on their way rejoicing.

They knew nothing about where or how or by whom it was made. All they knew was that it was hard to find. So the difficulty of getting it ready to take away and of carrying it home meant little.

Heavy industry first

YOU may admire the courage which will accept this situation with a shrug and a casual, "Just now there is a little shortage." But it may annoy you just the same to hear only condemnation for a system of commerce which permits the American woman to know exactly what she is getting when she points to a trademarked package and says, "Oh, yes, and send me five pounds of sugar."

Of course, the Russian explanation is that heavy industry had to have the right of way before there could be any of the light industry items such as more plentiful food in greater variety, clothing and shoes and household supplies including furniture.

An American returning from Russia in 1932 reported that he was the only man wearing a necktie in the hotel restaurant in Moscow. The haberdashery situation was well in hand, however, by the end of 1933 for neckwear was being worn fairly generally. But still a package of ties taken into Russia as gifts for minor officials proved most welcome. Silk stockings, lipsticks and face powder were the feminine equivalent, received with almost tearful joy.

Stalin realized that even the Russian people must be coddled a little when, early in 1933, he slowed down the tempo to a projected increase of 13 per cent for the year instead of 26 per cent as originally scheduled.

Again, in his interview with Walter

11 wasteful, red ink operations eliminated by the EGRY SPEED-FEED



THE constant interleaving of carbons and removing them from sets of multiple forms is a costly needless operation. It's waste, pure and simple.

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For every business and every written record.

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Name..... Address.....

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highly polished finishes
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CREPE WADDING

THE Birtman Electric Company of Chicago and Rock Island, Ill., use KIMPAK because they know the highly polished chrome surfaces of their fine electric irons, toasters, and other appliances must be adequately yet economically protected from mars and scratches. Over a long period Birtman has found that the best way to do this is by the use of KIMPAK. The appliances are wrapped in direct contact with KIMPAK.

KIMPAK is a soft, resilient crepe wadding, free from grit, dirt and foreign substances. In addition to protecting fine metal finishes, KIMPAK is also efficient in protecting highly polished wood finishes. It will pay you to try KIMPAK.
Get a free sample now. Just write:

KIMBERLY-CLARK CORPORATION

Chicago, 8 So. Michigan Ave. *Neenah, Wis., U. S. A.*
New York *Los Angeles*
122 E. 42nd Street *510 W. Sixth Street*

Duranty at the end of 1933, he said that transportation and the distribution of goods were Russia's two greatest unsolved problems.

Late in the year, too, came a Soviet order aimed at the poor quality of manufactured goods. From the phrasing of the order it appeared that the authorities may have been more concerned with munitions than with products of more aesthetic value, but the order was general and laid down penalties in no uncertain terms. It simply said that both the worker and the factory manager would be held personally responsible and that appropriate punishment would follow unless the quality were improved.

From a young worker in a rubber factory early in January of this year went a letter to a newspaper in Moscow which showed that the low quality of clothing is at last under fire. The New York *Herald-Tribune's* correspondent cabled it with an article which said that the Russian newspaper, *Komsomolskava Pravda,* the youth organ, had printed it with a seven-column headline reading, "We want to dress attractively." That paper accused the state clothing trust of "ignoring the requirements of the people for stylish dress."

It adds that several new models of dresses, approved by scores of women at a recent showing, were turned down by the clothing trust in favor of ugly old models easier to make. And here is the protest of the boy who longs to be a snappy dresser:

"For three years I have been aware of a strong desire to dress better. Perhaps it's because I want to get married or maybe just because I am jealous of my comrades. Be that as it may, I dreamed of having a stylish overcoat with a wide belt. Having failed to find such a garment in any of our cooperative shops, I had to purchase one without a belt.

"Then I bought a brown suit which looked very nice, but within a month it faded and now it looks like a rag. I looked around for a cap but couldn't find an attractive one.

"The price doesn't matter to me. I earn enough to buy decent clothes but cannot find them."

The same article adds that in Moscow's first large department store one of the first dinner gowns exhibited in that city since 1917 is shown on a wax model and that the workers are blocking traffic outside the show-window. Naturally they would, for they are accustomed to little but streets of dark empty windows. Only here and there in a window dangles a single glaring electric light bulb, shining on sleazy lengths of piece goods of flimsy fabrics in garish colors.

Inside, in crowded quarters, are bolts of cloth piled on counters or pulled down in heaps as milling groups of women look and touch and jostle. The air is thick with humanity. Further down the street another bulb spreads its glare over heaps of caps for men. The price tags show that these can scarcely be called bargains because the poor quality makes them dear at any price. Down at the corner is the exception. The windows are full of alluring things to buy. The place is crowded and the merchandise is well displayed. Wonder of wonders, there are rows on rows of canned American fruits and vegetables! The explanation is simple. This is a *Torgsin* shop where Russian rubles are not good and only foreign money can be used to buy.

The shop is packed. The customers are not only foreigners. The Russians themselves are buying here and buying with American money.

They could buy Russian-canned food for, under the direction of an American domestic science expert, the Russians are learning to can. Each can is clearly marked to prevent deception. The only fact which the mark does not give is the condition of the food when the can is opened. So these Russian customers prefer to buy in the *Torgsin* store.

They may have changed their rubles into dollars at a sacrifice. They may have taken risks to do it. But buy here they will even at the prices at which American goods are sold.

No Soviet Bureau of Standards has put its mark of approval on these cans. No printed advertising of these products has been allowed to reach these people. But here, in far off Russia, the word has spread that there is one thing which, though they cannot read, they can depend upon. For that they look and then they buy with confidence.

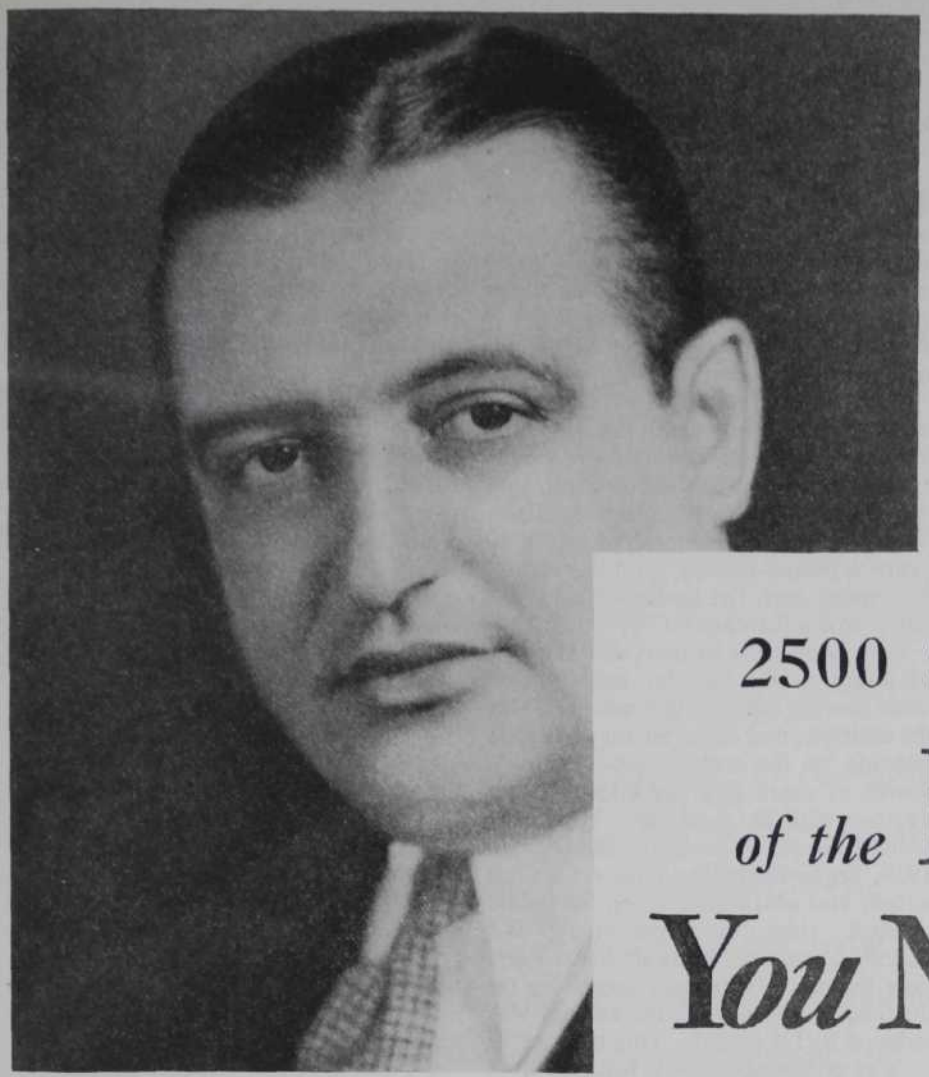
The thing they look for—and find—is the trademark which the American maker has put upon his product. It means more than any bureaucrat's approval. Perhaps it always will in America, too.

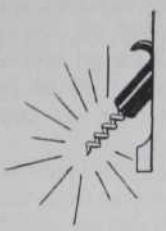
Effective Collective Bargaining

THE existence of an effective plan for collective bargaining, antedating the code idea of industrial government by ten years, comes to timely light in a report of the Pennsylvania Railroad. In 1932 a total of 11,865 grievances of workmen were settled at conferences between representatives of employees and the management. Of these cases, 4,557 were decided in favor of the workers, and 4,350 were withdrawn.

Representatives of the workers are chosen from their own ranks, are nominated by the employees themselves, and elected by secret ballot. Every employee is entitled to vote. Any employee can be a member of any union he desires. No employee is disqualified to vote, to be nominated, or to be elected because he happens to be a member or officer of any organization. Every important question affecting wages and working conditions is settled by joint action of management and personnel. The highest authority for the settlement of any question is a joint reviewing committee in each department, equally representative of management and employees. In these committees all members are on equal footing, and a two thirds vote is necessary to decide any question.

Possibly it may seem an oversimplification of the complicated problem of industrial relations to say that "the way to make peace is to make peace." Where there is so much evidence of the underlying unity of the interests of management and workers, recognition of that oneness is progress in its own right. And where sympathetic understanding directs the interpretation of this singleness of purpose, as the Pennsylvania's experience so clearly argues, corporate government is bound to express the embodiment of the free, collective will. The "new deal" can seem completely new only to those to whom American industrial history is a closed book.





2500 SAMPLES of the Hotel You Never See

. They're only 3-inches of corkscrew but they reflect what's behind the scenes at the New Yorker, declares Managing Director Ralph Hitz

"PERHAPS the first time you visited the New Yorker you discovered the 3-inch 'sample' of Monel Metal on your bathroom door.

"A little thing . . . yet it typifies the equipment of the hotel which is *behind* the hotel as you know it.

"In that unseen portion of the New Yorker we carry on the activities that keep you comfortable. There we prepare and cook your meals, keep foods and beverages hot (or cold), wash dishes and bake breads and pastries.

"There also we operate a sizable laundry, so that we can make up your bed with fresh linens daily, and keep your bathroom abundantly supplied with clean towels.

"The apparatus we use for every one of these housekeeping operations is (just like that corkscrew) made of Monel Metal. Our dishwashing machinery and pastry ovens, our dish-warming cabinets and refrigerators, our food serving tables and the boxes that carry away soiled dishes, our beverage coolers and the washing machines in our laundry are all made of the material hotel men rely upon . . . Monel Metal.

"In every hotel I know anything about, as well as those I direct (the Book Cadillac of Detroit, the Netherlands Plaza of Cincinnati, and the Lexington and New Yorker in Manhattan) in every one, Monel Metal is 'standard equipment'. We just couldn't keep house without it."

* * *

The briefest description of Monel Metal explains why hotels rely on it so completely: It is proof against rust, resistant to every common source of corrosion, and strong as steel. Moreover, its gleaming silvery surfaces are readily cleaned and easy to keep clean.

Those qualities are significant. They explain why Monel Metal is so universally used in every industry where rust, wear, or corrosion are destructive to equipment . . . where utter cleanliness is essential . . . where attractive appearance pays its way by increasing sales.

Every modern home with its Monel Metal kitchen . . . sink, cabinet tops, range top, table and refrigerator . . . demonstrates why Monel Metal holds the place it does in the forefront of industry. We will gladly tell you how Monel is profitably used in *your* industry if you care to write.

THE INTERNATIONAL NICKEL CO., INC.
67 WALL STREET, NEW YORK, N. Y.

Monel Metal

Monel Metal is a registered trademark applied to an alloy containing approximately two-thirds Nickel and one-third copper. Monel Metal is mined, smelted, refined, rolled and marketed solely by International Nickel.

What Makes Electricity Cheap

(*Continued from page 26*)

marked effect this will have upon the unit price of electricity.

The theoretical results shown by this method are not greatly at variance with actual average prices today, as average revenue received in 1933 for an average consumption of 604 kilowatt hours per meter was slightly less than six cents per kilowatt hour.

David E. Lilienthal, of the Tennessee Valley Authority, has forecast that, with increased consumption, energy can be sold to the householder for less than three cents a kilowatt hour, and this goal may well be attained, if a sufficient use per household is built up. The Tennessee Valley Authority is rendering a real public service in emphasizing the value of increased use, and in providing electric devices at low cost per unit. It is my judgment that the cost of the electric range, the electric water heater, and the other large household users of energy can be greatly reduced if they can be produced on a quantity basis, and sold without the heavy distribution cost now entailed.

Because of the revival of interest in waterpower development, brought about through the availability of federal emergency funds, the subject of electricity costs should not be left without some reference to the relative costs of energy produced in hydroelectric plants and steam plants. One cannot generalize about waterpower costs. One cannot say what it costs to dig a well or build a house, without knowing something of the dimensions and the conditions. Neither can one say what it costs to generate hydroelectric power, and deliver it to the customer, without knowing the conditions of the site, the distance from the market, the reliability of the stream flow, and many other important factors; but it usually costs, counting high-tension transmission lines and substations, from two to three times as much to install a unit of generating capacity in a water plant, as in a steam plant.

The waterpower plant avoids the cost of buying coal, but the steam plant has much lower fixed charges, and, with few rare exceptions, power can now be delivered from the steam plant to the consumer as cheaply as from a hydroelectric system. This is not true in all cases, and is not true with all load factors. A few outstanding hydroelectric plants, constructed or potential, have or will have extremely low costs. Niagara is one. The St. Lawrence River power, when it is developed, will be another. On the other hand, thousands of small waterpower plants, built in the days when it required three pounds of coal to make a kilowatt hour, are today more expensive than their competing steam plants, which are now producing a kilowatt hour by the burning of one pound of coal.

But the hydroelectric plant has one advantage which should not be overlooked. Its cost of production is almost entirely made up of fixed charges, and its operating cost is relatively light. When, then, in the course of 30 or 40 years, a proper sinking fund has retired its capital cost, the hydroelectric plant has a real advantage.

It is interesting to note that the cost of steam power has, for many years, been moving steadily downward. Take, for example, fuel costs. Steam plants are burning, on the average, less than one-fourth as much coal per kilowatt hour as they did 30 years ago. When the United States Geological Survey, in 1919, began compiling data on energy output and coal consumption for public utilities, they were consuming 3.2 pounds of coal per kilowatt hour. Each year thereafter witnessed successive reductions, until, in 1933, the average was reduced to 1.4 pounds. This average in no way represents what is being done in the very high-grade plants, many of which use less than one pound of coal per kilowatt hour.

As regards investment also, it is found that, due to the increase in the size of boiler and generating units, the cost per kilowatt of capacity for a modern steam plant is constantly being reduced, and is now frequently less than $100 per unit, as against $150 ten years ago.

All of these factors affect the comparative cost of steam power and hydroelectric energy. The actual generating cost of electricity in a modern steam plant is approximately four mills per kilowatt hour and the overhead and supervision cost amounts to several additional mills. Today electric power is being generated from natural gas at Los Angeles, all charges included, for less than four mills per killowatt hour, which is well under the most optimistic estimates that were ever made for hydroelectric power delivered in Los Angeles from Boulder Dam, on the Colorado River 240 miles away.

By the substitution of waterpower for steam power and by lowering the interest rate on the invested capital through government ownership, or even through the payment of inadequate dividends, the actual reduction in production costs can be only a matter of a few mills at best, whereas by doubling, trebling and quadrupling consumption the price to the consumer may be cut in half.

The actual experience of the last two decades well carries out the philosophy that quantity of use and load factors are the dominant factors in determining costs.

Twenty years ago electricity was used in the home for lighting only, and the lighting was very inadequate. Today electricity is used for a great many purposes in the household, to say nothing of its tremendous use in industry.

This increased use has resulted in a continuously lowering price to the consumer. Accurate statistics indicate that in 1907 household electricity sold at an average price of 11 cents per kilowatt hour. Today it is selling at slightly under six cents, and this despite an increasingly large sum paid out by electric companies for taxes. The total income of the electric utility companies of the country is just under two billions of dollars, and these companies are paying in federal, state, and local taxes about $225,000,000, or 12 per cent of their gross income. In fact, the payment of taxes more than offsets any theoretical advantage that would arise from government ownership through lower interest rates.

Two prime steps must be taken to insure low-cost electricity in the home, one by the utility company and the other by the customer. The utility must prepare a rate structure whereby the more current the householder takes, the smaller becomes the unit price paid. Reductions in price for increases in use should follow downward with the utilities' cost curve. The customer's step is to equip himself with appliances so as to take advantage of the low rates which increased consumption offers. One utility executive that I know has stated that he now has more than a thousand residential customers who, through increased use of apparatus, are earning a rate of less than three cents per kilowatt hour. Such customers increase their use, and thereby, automatically, cut their rate. Only through cooperation of this kind can drastic reductions in costs be made, and low price electricity delivered to the home. The education of the utility manager, and the education of the customer, to the advantages of increased household use, is of the utmost importance, and wise utility management should not concentrate its attention upon engineering refinements of generating plants, important as they may be, but upon the broad question of the merchandising of their product—ELECTRICITY.

AN INVITATION

★ ★

To the Business Men of America:

THE Chamber of Commerce of the United States invites you to attend its *Twenty-second Annual Meeting*, which will be held in Washington, *May 1 to 4, 1934.*

This annual stock-taking will be of unusual significance. National policies, far-reaching in their effects, will be weighed in the light of business experience. Both emergency and permanent measures to restore and maintain economic stability and vitality will be appraised. Problems encountered, adjustments to be made, procedures to be followed will receive every constructive attention that such a meeting can assure.

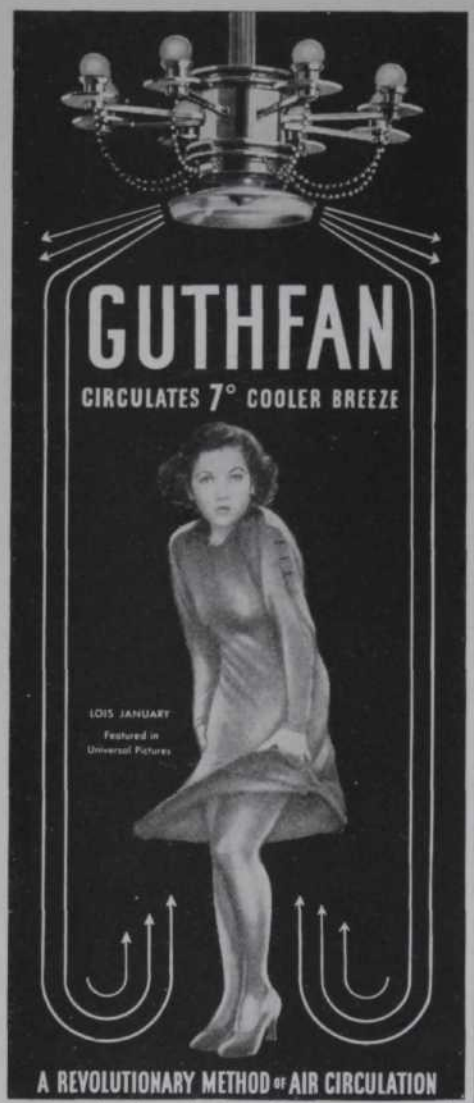
These are matters of concern to every type of trade and industry in every part of the country. The success of business will depend in large measure upon the effectiveness with which it utilizes its opportunities, chief among which are charting and following a practicable course, based on the initiative business itself takes in identifying and supporting sound principles and policies.

The Annual Meeting will make every provision for free and full discussion, led by distinguished speakers. In this the National Chamber invites your participation.

H S Harriman

PRESIDENT
Chamber of Commerce of the United States

WASHINGTON, D. C.
March 30, 1934

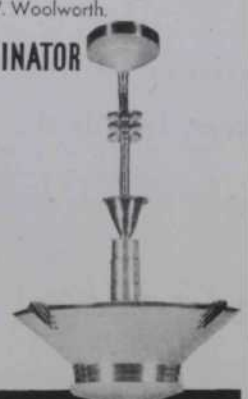


For better health in the home; for better work in the office; and for better patronage in restaurants, theatres, hotels and stores—investigate the sensational new Guthfan—the first radical improvement in electric fans for 35 years.

The Guthfan draws 7° cooler air upward from the floor level. Revolving blades then force the air outward toward the walls on a downward angle. The Guthfan produces a complete and gentle distribution of refreshing, revitalized air throughout the entire room—without danger of drafts or direct blast annoyances.

The Guthfan circulates more and cooler air over a wider area than three ordinary 16-in. electric fans—at half their cost to operate. Furnished with or without lighting fixtures. Easy to install. It is used in government buildings throughout the country. Some of the outstanding organizations that have recently installed Guthfans are: S. H. Kress Co., Montgomery-Ward, American Railway Express, Army & Navy Y. M. C. A. Panama Canal Zone, F. W. Woolworth.

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Company Unions and the A. F. of L.

(Continued from page 22)

and International Unions may be involved, that the Executive Council adjust such difficulties in the spirit of taking full advantage of the immediate situation and with the ultimate recognition of the rights of all concerned.

There is a great deal in common, as to structure, between the federal union, chartered by the American Federation of Labor and the employee representation idea set forth by Walter Teagle in his recent report as chairman of the Industrial Relations Committee of the Business Advisory and Planning Council for the U. S. Department of Commerce. In both cases all members are within the plant. If the present law is observed, there is an equal degree of voluntarism as to membership and procedure in each case. If the law is not observed, as the A. F. of L. says it is not, the similarity ends abruptly. Of what he conceives to be employee representation Mr. Teagle said in his report:

Employee representation provides a method of collective bargaining between management and employees through their own elected representatives. To function to the best advantage, such spokesmen should be selected from among the plant employees, and this has been the usual practice. The theory of representation rests upon the foundation of community of interest within a business enterprise.

Originating on a modest scale in the early years of the Twentieth Century, employee representation expanded rapidly during the late war and, with some fluctuations, this growth has continued to the present time. Research studies of the National Industrial Conference Board show that the number of employees working under representation at the end of 1932 exceeded 1,250,000.

Employee representation has these definite aims; to furnish facilities to adjust grievances and prevent injustices; to serve as a means for collective bargaining on wages, hours and working conditions; to provide for the exchange of information and opinions between management and employees; to educate employees and executives to understand the viewpoint and problems of each other; to promote efficiency, economy and safety and to strengthen morale.

Mr. Teagle goes further and outlines to some extent the conflict between employee representation and unionism, in these paragraphs:

For the employer accustomed to ruling with an iron hand, industrial representation will not succeed. If he is not willing to commit himself to paying at least the prevailing wage for similar work in the locality, or if he is not prepared to be overruled on some questions that arise, or if he is in the least unwilling to deal frankly and openly with his workers, he should not adopt employee representation. If he does adopt it as a machine through which to take advantage of his employees, he will find that it will not work.

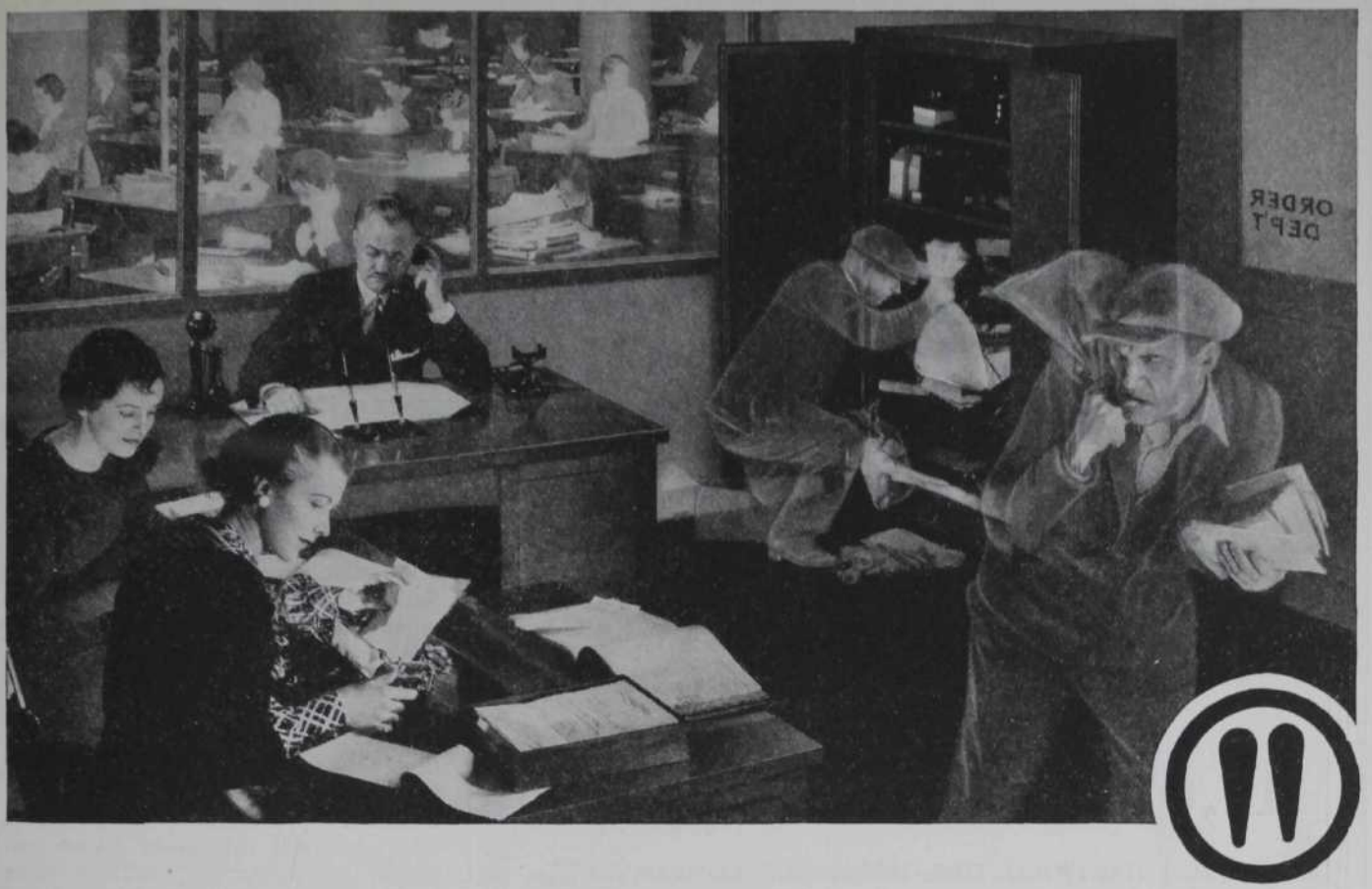
True employee representation plans are decidedly not anti-union in concept. On many councils union members who, for one reason or another, keep their cards, work harmoniously with non-union representatives. The wise employer has made no effort to weaken the status of unions in his business. As a matter of fact, in many plants where this form of collective bargaining has been used, unionism has not been an issue. In such plants, the workers' experience with industrial representation through good years and bad makes them indifferent to efforts to organize them into craft unions because they can see no gains over their present arrangement. They view their jobs in terms of the finished products rather than as a particular trade operation incident to their production, such as welding or carpentering. With many different crafts employed in the manufacture of a single line of products, it has not proved feasible to affiliate with several outside union organizations having different interests. Hence, one particular group cannot call a strike to the injury of other groups having no direct interest in the claims of the local union precipitating the trouble.

The unions hold that, since employee representatives receive their regular wages while attending meetings, their freedom of action is thereby limited as compared with that of an outside representative whom the employees themselves pay. If all of the time of the joint conferences were taken up with discussions of wages and hours this criticism would be important. Actually, the meetings deal largely with safety measures, sanitation, efficiency of operating methods, and similar matters for which work the employer would have to pay others if it were not handled by these representatives.

As to the effect on employees, experience has shown that employee representatives are not overawed or outtalked by officials and that they fearlessly represent the men who have elected them. There is ample evidence in works councils that have operated for years that the average representative is intelligent and unafraid; he presents the causes of his constituents vigorously, has complete freedom of action, and his standing in the company is in no way affected by his insistence. Furthermore, any other type of representative fails of reelection.

The primary purpose of representation is not to draw up lines of battle but to provide means for peaceful settlement. Most questions have to do with details of company or shop management. The way to settle them is in open conference. When two parties want to reach a satisfactory settlement of an apparent divergence of interests, the sensible thing to do is to get together and consider all the facts before coming to conclusions.

The National Industrial Conference Board has made some fairly recent studies of progress in the various types of organization. In the field surveyed, the Conference Board found 45.7 per cent of employees dealing individually,



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A MESSAGE TO THE 17,061 AGENTS OF

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ON every side we see evidence that the country is slowly but certainly emerging from the era of discouragement and depression. To you, the far-flung group of Hartford Agents everywhere, the Hartford extends a public expression of appreciation for your loyalty and cooperation over the trying years through which we have passed. • During the 124 years of its life the Hartford, a stock company whose policies are non-assessable, has weathered many critical periods with honor and increasing strength. • Another successful record made by the Hartford in the face of adverse conditions is set forth in the annual statements of the Two Hartfords. Be sure you have at hand a sufficient supply of these statements to hand to property owners who may be interested in the financial strength of their insurance companies.

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or without organization. It found 45 per cent dealing through employee representation, with 9.3 per cent dealing through trade unions.

In numbers of employees there were in these three groupings 1,180,580, 1,264,294 and 240,866 respectively, which means, among other things, that in about half the industrial field there has been a resistance to organization of any kind. Whether this has been what may be called sales resistance, or whether it has been a more militant resistance is not material to this review. The Conference Board report covers 3,314 firms and an examination of the situation by firms offers still another view. Of this total, the employees of 2,284 firms were reported as dealing individually, or without organization. This is 68.9 per cent of the total number, while 16.8 per cent deal exclusively through employee representation, with 6.9 dealing through unions. In the remaining plants there are combinations of methods, but with some employee representation in all.

Perhaps more significant than anything else is the change pursuant to NRA. Where there was employee representation in 223 companies before NRA, 400 additional companies found employee representation desirable after NRA. In the same survey it was found that 223 companies had agreements with unions, while 174 more came into that category after NRA.

Organized for mass production

THERE is tremendous conflict in the statements as to how employee representation organizations came into being. One view is that they came into industry as a result of that same mass production which brought us our present enormous industrial output; that the assembling of great armies of workers in the employ of great corporations brought with it the creation of a type of organization that was not being created by the American Federation of Labor which organized workers, for the most part, along the longitudinal lines of trade, craft or occupation rather than along the up and down lines of the new giant industries.

The Teagle report intimates clearly that such organizations are formed by free decision.

The American Federation of Labor charges that they are brought into being either by employers or by organizers who work in agreement with employers and that in no event are they established without the consent of employers.

The Federation looks with deep concern upon the increasing number of employee representation plans, or company unions. There has been an increase of about 200 per cent in the number of Federal Unions organized by the American Federation of Labor since NRA, but there are no figures as to the number

of individuals involved. There appears no way of fairly evaluating the relative progress between company unions and A. F. of L. unions, because it is not necessarily a matter of numbers of men. It may be somewhat a matter of the size of obstacles overcome and the industries involved also should be counted as a factor. For example, the Conference Board study includes mining, but labor points out that unionism swept the whole coal mining industry when the mining code for coal was signed.

President William Green of the A. F. of L. has just brought a new note of challenge into the arena. It is this:

"It would not be difficult for employers to dominate NRA under the present set-up. They dominate the code authority; if they control their workers through company unions, they can dominate the adjustment agencies which enforce code provisions."

Other A. F. of L. spokesmen go further and call this development something of an American fascism. But, through all of this foreboding, there is another development.

Company and trade unions

THERE are company unions, or employee representation plans where trade unionism is riding to power right through the machinery set up as company unionism or employee representation. There appears to be no case of record where a company union has applied for a charter to become a regular labor union, but there seems no reason to suspect it will never be done. But there are cases where unions have taken possession of all of the machinery of the company union. In such encroachment as there has been this seems to be the favorite method. Unions will organize a plant in which there is a company union. They will not disturb the company union but elect their members to office in the company union. There are cases where unions have captured all offices. This seems to imply that the unions in such cases find good in the representation machinery and elect to use it rather than destroy it. Perhaps that will be the line of movement if company unionism weakens in favor of independent unionism.

There is the company union-labor union situation as it stands. It is a picture of conflict, backed on both sides by causes rooted in the economic system. Evolution in industry has been the motivating force on both sides. In this effort to see the facts of the situation there is no place for prophecy; and even if there were, the industrial situation is so fluid that prophecy can be only random guess work, which could help no one. Tremendous powers are at work. Social safety and progress lie in candor, intellectual integrity and a broad outlook along with some possible sacrifice.



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"Fire-proof" construction is not an adequate safeguard wherever there are combustible materials in or near a property there is food for fire. Half-measures of protection are wrong....watchmen are but human....unforeseen hazards nullify ordinary protective systems.

The one *intelligent* and *complete* safeguard is adequate insurance PLUS A.D.T. Electric Protection. A.D.T. provides constant vigilance; proper maintenance and supervision of protective measures; instant detection of fire; speedy and accurate alarms—and an outside organization that looks after your interests in every emergency.

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The American Scene

Transportation "It is, I believe, a historic fact that every great improvement directed to better commercial communications, whether in the case of railroads into new territory, or the deepening of great rivers, or the building of canals, or even the cutting of the Isthmus of Panama, have all been subjected to opposition on the part of local interests which conjure up imaginary fears and fail to realize that improved transportation results in increased commerce, benefiting directly or indirectly all sections."

PRESIDENT ROOSEVELT,
In a special message to Congress on the St. Lawrence Waterway Treaty

Individual opportunity "It is manifest . . . that there has been a growing appreciation of public needs and of the necessity of finding ground for a rational compromise between individual rights and public welfare.

"The settlement and consequent contraction of the public domain, the pressure of a constantly increasing density of population, the interrelation of the activities of our people and the complexity of our economic interest have inevitably led to an increased use of the organization of society in order to protect the very bases of individual opportunity."

CHIEF JUSTICE HUGHES,
In the majority opinion in the Minnesota mortgage moratorium case

Nationalism "The fight against nationalism has lost. It was bound to lose. It was a fight against the strongest and noblest passion, outside of those which spring from man's relation to his God, that moves or controls the impulses of the human heart. Internationalism, if it means anything more than the friendly cooperation between separate, distinct and wholly independent nations, rests upon a false foundation. And when undertaken, it will fail as in the name of progress and humanity it should fail."

WILLIAM E. BORAH,
Senator from Idaho, in a speech before the Council on Foreign Relations

Internationalism "In my opinion it would be possible for the United States, which has a vital interest in world peace and stability, to cooperate in the endeavor to promote peace and solve such problems of international concern as can be dealt with effectively by concerted effort, and to do this without sacrificing our independence of judgment and our freedom of action."

NORMAN H. DAVIS,
American Ambassador-at-Large, speaking before the Council on Foreign Relations

Independence "Up to the present time we have believed absolutely in the ideal behind the NRA. But the NRA hasn't tackled the fundamentals yet; there's been too much selfishness in the support of it. Some interests thought they could use NRA to start a new trade trust and run out the independents.

"Well, it didn't work. But NRA didn't stop them—the independents did. You can't squash people out. Independence is part of every American. And it has not been responsible for any of our ills—our loss of independence is what causes trouble."

HENRY FORD,
In an interview with a correspondent of the New York Times

World Court "Can you think of anything more discreditable than the attitude of the Government of the United States toward the Court of International Justice?

"Please to remember that 80 to 90 per cent of our people desire us to obey it, and 80 of the Senators are ready to agree to it. A little handful of obstructionists in the Senate Foreign Relations Committee have kept us year after year from keeping our word—and we invented the court."

NICHOLAS MURRAY BUTLER,
President of Columbia University, speaking to the Students International Union

Credit "I am confident that the nation will well realize the definite purpose of the Government to maintain the credit of that Government and, at the same time, to provide a sound medium of exchange which will serve the needs of our people."

PRESIDENT ROOSEVELT,
In a message to Congress asking legislation to reform the monetary system

Prices "If we do not somehow or other develop an industrial demand for credit and capital and for materials and labor, and if prices do not go up merely through public works, then we are confronted with the very serious danger that further monetary experimentation may be resorted to."

O. M. W. SPRAGUE,
Former adviser to the Treasury, speaking at a luncheon in his honor in New York

Antitrust "Unless we go back to the antitrust laws and utilize all the power we have to enforce them, the concentration of wealth will continue at a greater ratio in the next 20 years."

WILLIAM E. BORAH,
Senator from Idaho, speaking in the Senate on the NRA Codes

Oppression "If NRA oppresses anybody, it does not do so by monopolistic tendency. It may do so for another reason. I can tell you the single reason and then prove it to the smoking hilt. It oppresses people who are not willing to accord decent wages and proper hours to human labor."

HUGH S. JOHNSON,
Chief of the NRA, in a speech to the National Retail Dry Goods Association

Dictators "I have never heard the last three Mayors of New York called dictators despite the ruthless, profligate, wanton and corrupt dictatorship of the City of New York in recent years. But when a man presumes to correct some of the tragic results of that dictatorship of corruption, then some one raises the cry of 'dictator.' The Kruegers, the Insulls and the Mitchells and Wigginses were never called dictators, though they have done things that I do not find myself calm enough to tell in this place."

DR. STEPHEN S. WISE,
Rabbi of Free Synagogue, in a sermon, at Carnegie Hall, New York

Control "The important thing at the moment is that public opinion be made aware of what is going on, and that under the false pretense of relieving unemployment or of protecting children this new and vast power of control by the Congress over home and family and school and church be not covertly sneaked into the Constitution of the United States. It has been overwhelmingly defeated; let us make certain that it stays defeated."

NICHOLAS MURRAY BUTLER,
of Columbia University in a letter to the New York Times

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THE TRAVELERS

L. EDMUND ZACHER, *President*

HARTFORD CONNECTICUT

Annual Statements *December 31, 1933*

THE TRAVELERS INSURANCE COMPANY

(*Seventieth Annual Statement*)

Assets		Reserves and All Other Liabilities		
United States Government Bonds	$105,788,070.00	Life Insurance Reserves		$579,307,653.78
Other Public Bonds	83,298,412.00	Accident and Health Insurance Reserves		8,741,014.23
Railroad Bonds and Stocks	70,068,374.00	Workmen's Compensation and Liability Insurance Reserves		43,150,501.13
Public Utility Bonds and Stocks	67,888,874.00	Reserve for Taxes		2,907,638.53
Other Bonds and Stocks	46,811,036.00	Other Reserves and Liabilities		1,700,329.94
First Mortgage Loans	94,167,046.00	Special Reserves		8,840,330.48
Real Estate	38,369,683.32	Capital	$20,000,000.00	
Loans on Company's policies	123,933,754.60	Surplus	16,288,985.94	
Cash on hand and in Banks	15,688,063.52			36,288,985.94
Interest accrued	9,998,442.49			
Premiums due and deferred	24,355,244.56			
All Other Assets	569,453.54			
Total	$680,936,454.03	Total		$680,936,454.03

THE TRAVELERS INDEMNITY COMPANY

(*Twenty-eighth Annual Statement*)

Assets		Reserves and All Other Liabilities		
United States Government Bonds	$2,463,667.00	Unearned Premium and Claim Reserves		$7,644,876.26
Other Public Bonds	2,070,578.00	Reserves for Taxes		332,451.32
Railroad Bonds and Stocks	2,510,103.00	Other Reserves and Liabilities		530,290.19
Public Utility Bonds and Stocks	1,527,002.00	Special Reserves		4,372,568.89
Other Bonds and Stocks	8,509,827.00	Capital	$3,000,000.00	
First Mortgage Loans	312,500.00	Surplus	4,801,774.12	
Cash on hand and in Banks	1,509,469.63			7,801,774.12
Premiums in Course of Collection	1,682,732.72			
Interest accrued	96,005.43			
All Other Assets	76.00			
Total	$20,681,960.78	Total		$20,681,960.78

THE TRAVELERS FIRE INSURANCE COMPANY

(*Tenth Annual Statement*)

Assets		Reserves and All Other Liabilities		
United States Government Bonds	$4,690,549.00	Unearned Premium and Claim Reserves		$10,774,326.13
Other Public Bonds	1,062,419.00	Reserves for Taxes		296,360.43
Railroad Bonds and Stocks	2,165,488.00	Other Reserves and Liabilities		68,397.71
Public Utility Bonds and Stocks	4,045,845.00	Special Reserves		1,832,722.26
Other Bonds and Stocks	1,772,133.00	Capital	$2,000,000.00	
First Mortgage Loans	250,000.00	Surplus	1,941,903.57	
Cash on hand and in Banks	1,564,498.60			3,941,903.57
Premiums in Course of Collection	1,219,957.88			
Interest accrued	129,034.87			
All Other Assets	13,784.75			
Total	$16,913,710.10	Total		$16,913,710.10

Stocks and bonds not amortized are carried at values furnished by the National Convention of Insurance Commissioners.

Additional information about The Travelers Companies, including complete lists of securities, is set forth in The Travelers Year Book for 1934. Copies will be supplied upon request.

CHEVROLET ANNOUNCES

a revolutionary new line of low-priced trucks

Bigger, huskier models feature an entirely new engine, giving increased power on less fuel than ever!

THE 1934 line of Chevrolet trucks—truck-built for truck service all the way through—feature the *Blue-Flame engine*—a great new development that will be welcomed by every truck buyer in America. Here are the remarkable facts: The new Chevrolet trucks are even bigger than last year's models—bigger in bodies, with stronger, heavier frames, huskier transmissions and rear axles, and larger brakes. They will deliver more power at the time when you need it most. They will haul bigger loads than ever at an even faster pace. Yet, thanks to the new Blue-Flame engine, operating costs are actually lower than before—*and that means the lowest in the hauling field.* The net result of all these improvements is a line of trucks like no others on the market—the first to offer such a combination of big capacity, great power and unequalled economy.

CHEVROLET MOTOR COMPANY, DETROIT, MICHIGAN
A General Motors Value

Low delivered prices CHEVROLET *and easy G. M. A. C. terms*



Business Helps Enforce Law

WHILE here and there throughout the country various communities, faced by the rising tide of crime, have debated such drastic measures as returning to the old days of vigilantes, a unique measure of self-help has originated in Ohio and may set the example for the harassed citizenry elsewhere.

In several communities of that state, leading merchants, business concerns and public-spirited individuals have conducted a campaign for the acquisition of a police radio system. By popular subscription they have raised money to buy the first unit in this system. The final plan provides for the installation of four more units which, strategically located, will provide radio service to police forces throughout the state.

The use of radio by police, viewed in the long history of the warfare between society and crime, is a comparatively recent development. The importance of rapid communication to the efficiency of police has long been recognized. Radio, supplementing the telegraph, the telephone and teletype, places the final obstacle in the way of the criminal. It enables headquarters to issue instructions to the most mobile unit in the police force, the motor patrol. The instant a suspicious circumstance, a crime committed or a criminal in flight, is reported, the man at the desk can broadcast the alarm to every police car that has a receiving set. The motor police are never out of touch with headquarters. Time is saved and thus is nullified the greatest advantage the criminal has found in the machine age—the high-powered motor car in which he counts on getting away.

Most of the large cities in the United States have been using police radio for from one to three or four years. More recently radio has been adapted for county and, in several instances, statewide police communication. During the first year's operation of New York City's radio patrol, stolen property worth $250,000 was recovered.

On the average, radio patrol cars in New York reach the scene of their assignments about 45 seconds after receiving their instructions.

The Ohio police knew, of course, the success of this system wherever it had been used. The Buckeye State Sheriff's Association, organized in 1931 by Harry T. Paul, then Sheriff of Franklin County, had completed a survey of police radio systems and it happened that at the same time a group of professional bank robbers and other criminals began to operate in northwestern Ohio. As a result of a particularly dastardly crime of violence, public sentiment ran high.

The Sheriff's Association had been forced to drop its plan for a police radio system temporarily because of lack of funds. Now, however, the public was aroused to the need for the system.

As a result, one of the field representatives of the Association found a number of prominent citizens in northwestern Ohio who were ready to back a campaign for a station to serve that part of Ohio. At a meeting called by the Sheriff's Association at Findlay a short time later leading citizens offered their cooperation. The Association appointed a committee of citizens, gave them power to represent contributors, provided for the handling of funds through local banks, and assured them a voice in the making of contracts and the purchasing of supplies.

A successful campaign

THE campaign, fully supported by local newspapers, made rapid progress. The committee, headed by R. C. Orndorff, of the Ohio Oil Company, appealed to business men, banks, merchants, home owners, everyone. The Association made no attempt to collect cash in the beginning; the pledges were so worded that they did not become valid until at least $10,000 was subscribed.

The response was prompt, the funds for the first unit in the system were soon on hand, and the committee purchased a police radio system similar to that used in New York and Chicago and other large cities. The station is on city-owned property outside the Findlay business district. The equipment has 500 watts power with the latest type of vertical antenna.

Sufficient funds have been contributed to purchase receiving sets for police and Sheriff's departments in eight or ten counties. Indications are that at least 100 receiving sets will be ready for service when the station goes on the air.

Plans are completed for similar campaigns to install the second station of the series at or near Canton to serve the northeastern counties. The Sheriff's Association will continue its efforts until four more transmitting units are completed.

Thus, through the efforts of the Association, backed by the public spirit and self-interest of business men, these communities have acquired one of the most effective modern weapons for fighting crime.—P. L. THOMSON

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What Bankers and Investors Discuss

THE Fletcher-Rayburn Bill to bring the security exchanges of the country under the control of the Federal Trade Commission is before House and Senate Committees as I write this. It will probably be before Congress as this is read.

It is probable that it will have undergone radical changes as it passes through committees and Congress and that those changes will be for the better of business. On the other hand, the bill will be one more step in increasing the hold of the Federal Government on business.

As it was drawn, the bill was one more instance of the tendency of the reforming mind to see only the evil and to desire to rectify that evil without inquiring what the effect might be on others. Having decided that "stock exchange gambling" must be ended, there was no thought as to the effect of the regulatory rules on other interests. Sometimes the reforming mind resembles a policeman who charges down the street shooting wildly at a fleeing thief and in the course of what he conceives to be his duty wounds or kills harmless citizens.

More hurt to business

THE "innocent bystanders" in this case were business corporations which sought an open market for their stocks. As President Harriman of the United States Chamber said to its members:

It is suddenly proposed to subject the major business corporations to a high degree of regulation.

The method is to require every company, however long and honorable its career and however highly approved its securities by state, judicial and administrative officials as investments for executors, trustees, savings banks, and insurance companies, to acquiesce in all of the exactions of the bill as a condition precedent to its securities' continuing to have a public market where they can be bought and sold in an orderly manner. It must enter into an undertaking to observe all of the provisions of the bill—in other words, must sign away its constitutional rights to protect its property rights from being taken away from it without due process of law. It must sign a similar undertaking to observe all regulations of the Federal Trade Commission, although the Commission would be authorized by the bill to require any information as to its affairs which the Commission may consider appropriate in the public interest. As to what would be appropriate the bill contains no standards to control the Commission's discretion. Provisions of the bill, in the light of the above references, make clear an intention that the Commission should even say who may be directors and officers. The undertaking would not stand alone; for any officer or director who was responsible for violation of a provision of the bill or of the Commission's regulations, even if the intention were solely to get a judicial determination of constitutionality, would be threatened with fine up to $25,000 and imprisonment up to ten years.

Modifying bank guaranties

THE bankers have been very quiet about the deposit guaranty plan but they have not been inactive and present indications are that they will carry their point. They feel that popular sentiment is so strongly in favor of some guaranty plan that there is no use at this moment in fighting for a return to the old plan. They are, however, still strongly opposed to the permanent deposit features of the Bank Act of 1933. Under that, all deposits up to $10,000 would be fully insured, deposits from $10,000 to $50,000 would be insured 75 per cent and amounts above $50,000 would be 50 per cent guaranteed.

The bankers feel that, under any such regulation, a single bank failure would accelerate the failure of other banks far more rapidly than if there were no guaranty. So the bankers decided that it would suit them to continue for the present something like the present guaranty of all deposits up to $2,500. That would take care of more than 95 per cent of the depositors in the banks and that 95 per cent most needs protection.

The bank compromise

THE Banking Act of 1933—the Glass-Steagall Act—was a compromise, a jumble of good and bad whichever way you looked at it. It went too far for some reactionaries and not far enough for some extremists. As soon as it became a law there came demands for amendments. Some changes may be brought about but there is little likelihood of any new comprehensive banking bill at this session—no bill to satisfy those who would have a close-knit federal system or those who would move toward a greater freedom in banking.

Confusion in bank shares

ONE clause that may be changed is that regarding double liability on national bank stock. The Act of 1933 removed the additional liability with respect to shares of a national bank issued after June 16, 1933. Prior to that time the holder of stock in a national bank which failed not only lost what he had paid for the stock but could be assessed an amount equal to the par value of his holdings.

The somewhat curious result of the new act was that a man who took stock in a new national bank—a patchwork perhaps of three or four banks that had been in difficulties—couldn't be assessed if the new bank got into difficulty while the holder of stock in a bank which had weathered all financial storms for half a century would be liable if the bank finally got on the rocks. Moreover, if a bank increased its capital by issuing new stock, the same individual might be liable for extra assessment on part of his stock but not on all. The RFC has no double liability on the preferred stock it bought from national banks.

There may be a move to eliminate all extra stock liability.

A question of credit

TIME and again I've said to banking acquaintances, "Why all the outcry that the banks won't lend money?"

And always the answer has been:

"Lend money? We want to lend money. That's a bank's business, but it must be a sound loan."

A banker in a middle-sized middle-western city, to whom I put the question as to loans, answered me in this fashion:

"Here's a typical loan application that came to our bank and was rejected by the board. The man has been in business for some years in our town. He's a good man and has at times done a good business. His capital a few years ago was between $125,000 and $150,000. Now it's around $50,000. He wanted to borrow $50,000 really to replace his capital and to finance a rather large stock on hand. Should we lend him depositors' money to replace depleted money in times like these? Do you want your money lent that way?"

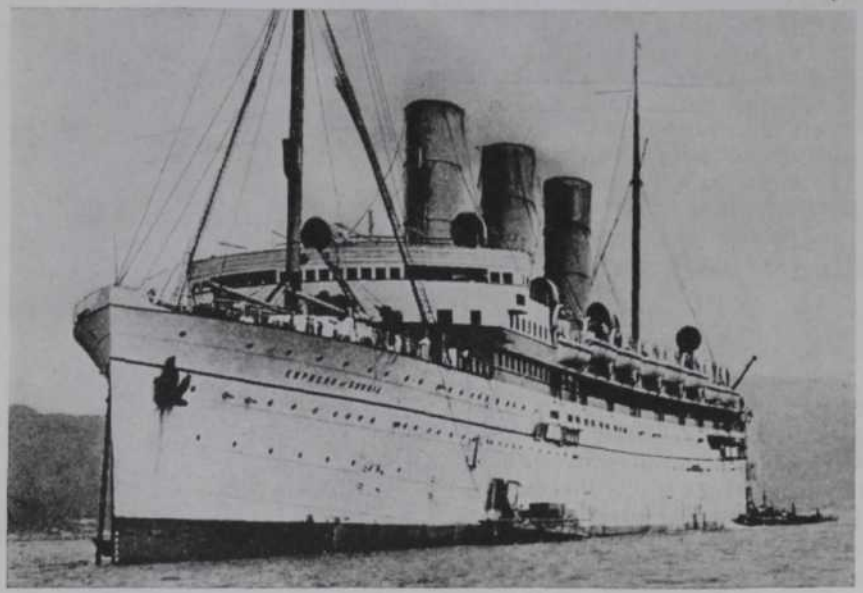
The small city bank

I KNOW a lawyer of distinction whose practice spreads far beyond the small community which he has always considered his home and in whose welfare he has always had keen interest. Among his other activities in his home town, he's been for years a director in its national bank, a good substantial bank which has always kept its solvency and whose stock has for years been at a high premium.

But it's a changed bank nowadays.

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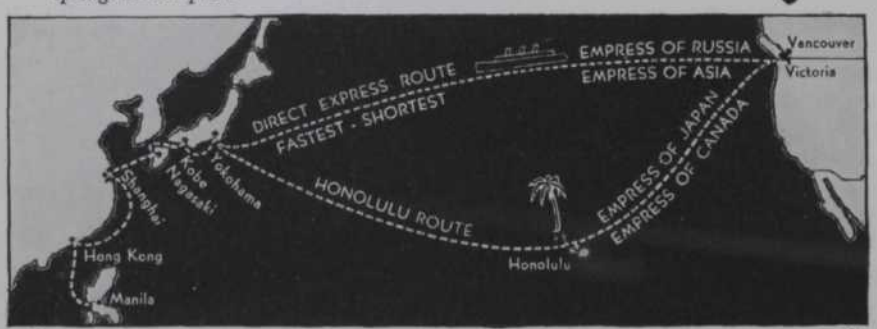
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"Not so many years ago," he said, "a good part of our business was in lending to local business men. The department store was a steady customer. The local hardware man saw a chance to branch into automobile accessories and expand his store. He borrowed from us with perhaps some other man we knew endorsing his note. Such loans were good and we were eager to do that business. We were helping the town and ourselves and in no way imperilling the depositors. Then we found ourselves changing. The bank examiners weren't over fond of that sort of paper. They seemed to prefer Stock Exchange collateral, something with a ready market. U. S. Steel, General Electric, that type of security. So, as it seemed to me, the center of our world moved from our little town to New York.

"Now we're in a third stage. We've moved to Washington as it were. We're keeping folks' money but we're going to charge them for it and we're buying low income Governments. We're as solvent, perhaps more solvent, than we ever were. But somehow we don't seem quite like a bank. We're not lending at all locally.

"Meanwhile, the plight of the local merchant seems to me to grow worse. National chains and branches of the great mail-order houses are coming in and doing, it seems to me, an increasing share of the business. Certainly we are not cordial to local merchant borrowers. We wish them a better fortune, but we don't help them.

"Are we to blame in any way? Are they to blame? Or is it just evolution in distribution and in banking, which either side is powerless to resist?"

High cost of financing

THE first considerable refinancing project under the new Securities Act was an issue of $15,000,000 by American Water Works. It is commonly reported that it cost the company about $500,000 to prepare the registration certificate filed with the Federal Trade Commission, a heavy toll—more than three per cent on the issue. Moreover, if a stockholder wishes a copy of the certificate he can get from the Commission a photostat of which the cost will be between two and three hundred dollars.

Price Control Under the Codes

(Continued from page 16)

ing and the coal code grants them the right to agree on a "reasonable price" for coal, taking into consideration the cost to the consumer of the competitive fuels of oil, gas and hydroelectricity. The code authority has the power to overrule the producers if the price ceases to be reasonable.



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The only security asked is household furniture and the ability to repay in small monthly installments. The only signatures required are those of husband and wife.

Here are facts as to cost. The Household Loan Plan operates on a retail basis. Business men know a retail price must cover operating costs and a reasonable profit. Efficiencies never can reduce retail prices to the level of wholesale prices. However, when methods are devised which permit renting the use of money to families at rates lower than the 2½% to 3½% a month now charged on unpaid balances, Household will be found using those methods.

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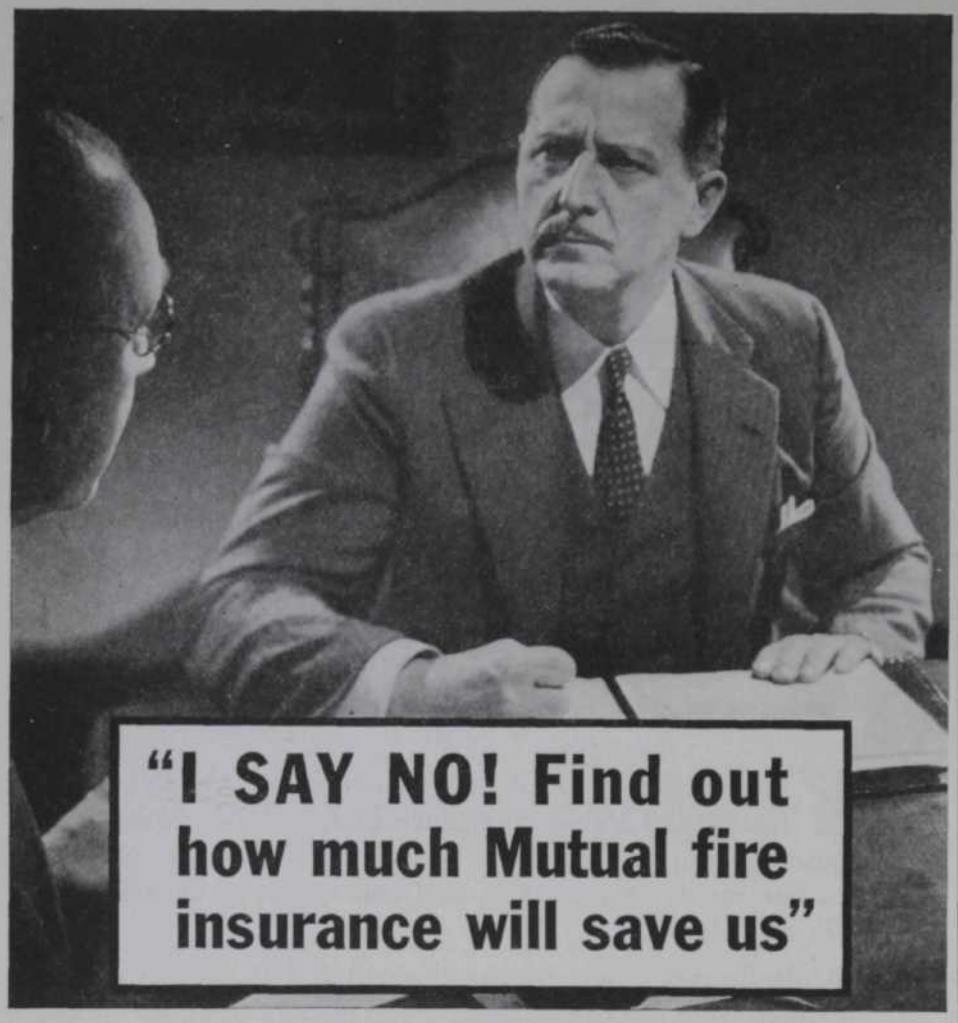
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The *mutual* plan is not new. It is, in fact, older than any other form of insurance, yet the soundness and economy of *mutual* fire insurance are attracting thousands of new policyholders.

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A Group of Leaders to Choose From

Seventy-two selected leaders make up the membership of The Federation of Mutual Fire Insurance Companies. This strong group have over 8 billion dollars worth of insurance in force; have returned over $125,000,000 to policyholders in the past ten years.

Out of the Federation group, any property owner interested in *mutual* soundness and saving can find a company exactly suited to his needs. A list of Federation companies will be sent on request. Write for it today. You will receive in addition a brief, clear explanation of the operations and principles of *mutual* fire insurance—information you should have.

A Symbol of Strength

The use of this Seal is limited to member companies of The Federation of Mutual Fire Insurance Companies and The American Mutual Alliance. It is a symbol of sound financial condition —of capable management —of integrity.

MUTUAL FIRE INSURANCE

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NBAP

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When writing to Federation of Mutual Fire Insurance Companies *please mention Nation's Business*

It is well to bear in mind that the attempt to control prices by NRA and AAA differs in two material aspects from the innumerable efforts to the same end that have been made—and have failed—in every century of which there is written history. When King Hammurabi wrote his code 4,000 years ago he sought to keep down the prices of a few commodities. Emperor Diocletian attempted to keep down the cost of corn, oil and wine 1,600 years ago. A Chinese emperor tried the same thing. So did France and England and every other people of which there is written record, black and white and yellow. Asiatic and European and American. In every instance the effort was made to control only a few commodities and always to keep the price down.

The NRA and the AAA plan to control prices, rather than to fix prices, which means they will undertake to keep prices down as well as to send prices up. The price control, too, is to include all articles, rather than a few. It may be that in this way a dislocation of the price field may be avoided. Nothing like it has ever been attempted before. No governmental effort to control prices has ever succeeded, except in the case of certain natural monopolies or in time of war. Chili had nitrates and the world wanted them. Now nitrates are being drawn from the air. Japan had control of the camphor gum production. Synthetic gum is a formidable competitor now. Great Britain had what amounted to a stranglehold on rubber production. An artificially boosted price brought competition into the field and the unfortunate monopolists went broke. A recent report of the Harvard School of Business states that the effort of states to control 13 commodities having a 1929 value of $15,000,000,000 failed. Brazil is burning her coffee. Raw silk slipped from $4.43 a pound to $1.19. In 1669 price fixing was decreed in Massachusetts. It did not work.

There is in the NRA a divisional administrator who is under more or less constant attack by the opposition because of his presumed super-conservatism. He candidly says that he took a position in the NRA when it was offered in the hope that he might be able to protect business against what he feared might be the ill-judged efforts of theorists. He was then opposed to price fixing. In the months that have passed he has become convinced that price fixing is not only right, but that it is necessary. He heartily believes in the NRA. He thinks it is right in principle and justified in method.

"I think the NRA will be the salvation of business. But it must have the authority to control prices."

"Suppose it cannot control prices in the end. What would happen?"

"Heaven knows," said he. "Anything. We must control 'em."

A Chance to Study Recovery Plans

THE effects of the various recovery measures and the difficulties encountered in applying them will be discussed from the viewpoint of business executives, economists and government officials at the Annual Meeting of the Chamber of Commerce of the United States, to be held May 1 to 4 in Washington.

This annual stock-taking, the twenty-second since the establishment of the national organization, will bring under the focus of business discussion questions of both national and international import. Larger subjects of public policy such as the American conception of the functions and responsibilities of business; banking, public expenditure, transportation, agriculture and public financing, will be dealt with at three general sessions and four luncheon meetings.

Recovery efforts in the perspective of specific branches of finance, trade and industry will be reviewed at 13 group sessions.

Among the texts selected for discussion at these latter sessions are:

Employment relations, production control and cost protection in the manufacturing industries.

Legal and practical aspects of production control in the natural resource industries.

Enlargement of the electric power market.

Development of distribution codes.

Capital financing in the recovery effort.

Banks and capital requirements.

Contributions of planning to permanent recovery.

Progress in insurance.

Quotas in international trade.

Blocked dollar accounts.

Capital goods industries.

Federal and local revenues and expenditures.

Railroad coordination.

Code vs. commission regulation in trucking.

Financing export trade.

Agricultural production control and processing taxes.

Code administration and compliance.

Among the business men who have signified their intention of attending the meeting and taking part in the sessions are:

Alfred Hurrell, Vice President and General Counsel, Prudential Insurance Company of America; A. B. Paterson, President, New Orleans Public Service, Inc.; Robert V. Fleming, President, Riggs National Bank; F. M. Law, President, American Bankers' Association; William L. Sweet, Treasurer, Rumford Chemical Works; B. B. Gossett, President, Chadwick-Hoskins Co.; Charles E. Bockus, President, Clinchfield Coal Corp.; Kerwin H. Fulton, President, Outdoor Advertising, and others.



Golf suit from Tripler *Golf suit from Saks Fifth Avenue*

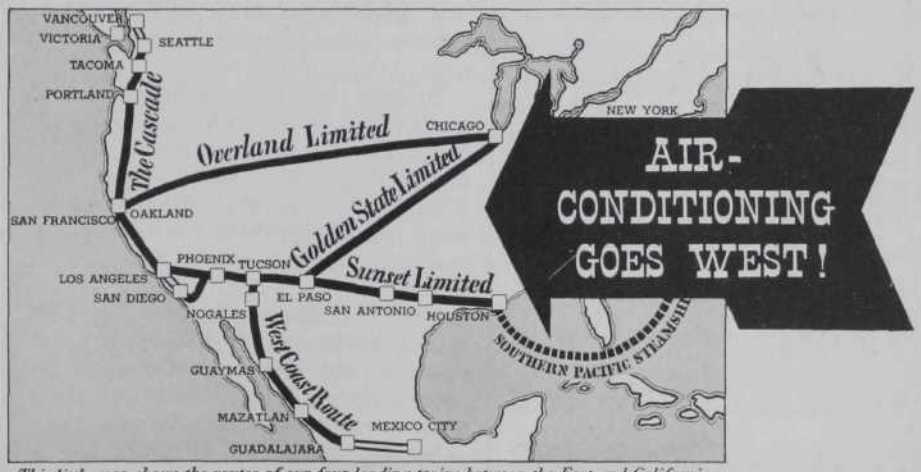
FOR YOUR NEXT CONVENTION, CHOOSE

America's Most Beautiful All-Year Resort

MANY business organizations have already discovered that business and golf *can* mix, with notable benefit to both. The place? White Sulphur Springs. When you have all the facilities required for the efficient transaction of convention business—large auditorium and banquet rooms, committee rooms, individual accommodations under one roof—surrounded by three golf courses, by tennis courts and riding trails—there's every incentive to do lots of work, and every inducement to enjoy the leisure hours in true vacation style. Rates and detailed information upon request.

White Sulphur Springs
WEST VIRGINIA

THE GREENBRIER AND COTTAGES L. R. JOHNSTON, GEN. MANAGER



This little map shows the routes of our four leading trains between the East and California.

The pioneer railroad of the West begins a great air-conditioning program. By this summer, club cars, lounge cars, dining cars, room cars and observation cars will be air-conditioned on our four leading trains to California. *Sunset Limited* between New Orleans and Los Angeles. *Golden State Limited* between Chicago and Los Angeles. *Overland Limited* between Chicago and San Francisco. *The Cascade* between Portland and San Francisco.

There will be no extra charge for air-conditioned accommodations—no extra fare on any Southern Pacific train.

All our dining cars serve delicious "Meals Select"—complete luncheons and dinners for 80 cents to $1.25, breakfasts for 50 cents to 90 cents.

Southern Pacific exclusively serves such famous points as Del Monte, Palm Springs, Crater Lake, Carriso Gorge, Santa Barbara.

Southern Pacific

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

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This is one of a series of editorials written by leading advertising men on the general subject of advertising

The Economics *of* Advertising

MANY CRITICS of advertising assume that advertising increases the cost of marketing, hence that it saddles an added burden on consumers. Indeed there are those who would insure such a burdening of consumers by insisting that advertisers charge more for their products than non-advertisers charge for theirs.

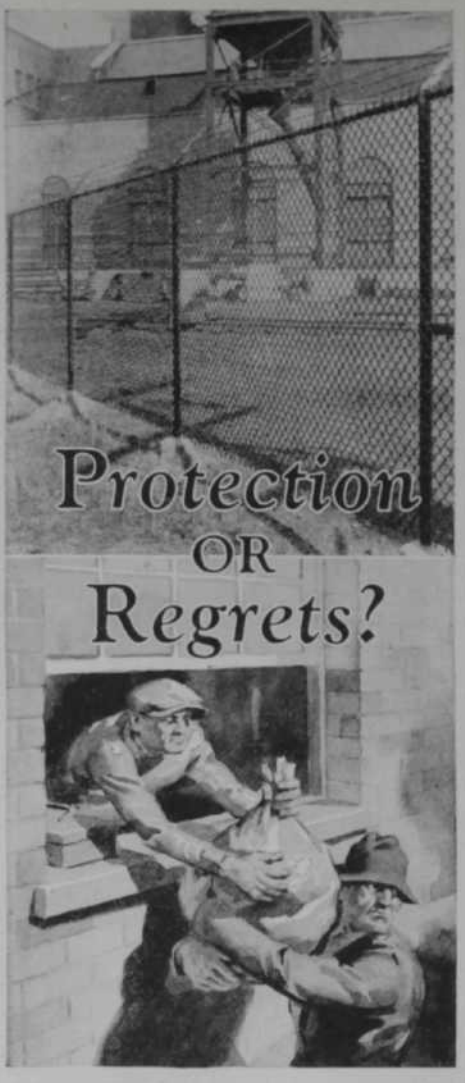
Such views indicate a lack of understanding of the fundamental economics of advertising. The truth is, of course, that advertising, when used properly, reduces rather than increases marketing costs.

Suppose there are two companies that make shoes. One makes all shoes by hand. The second buys and maintains thousands of dollars worth of machines. It might be argued that the second company, because it has the extra expense of machinery, should charge more for its shoes!

But this is absurd. The company with machinery turns out shoes at a lower cost per pair. This is analogous to the company that uses advertising. There is an extra expense for advertising, yes, —but the total cost of marketing is lower than it would be if advertising were not used. Advertising causes goods to flow through selling channels with less resistance, and hence with less personal salesmanship. For companies in some lines, advertising entirely takes the place of salesmen. Successful advertising also builds up volume—reducing manufacturing costs.

Advertising is not a waste, even when it simply shifts users from one product to another. It is just an economical, competitive selling machine, which tends to reduce both marketing and production costs.

L. D. H. WELD,
Director of Research
McCann-Erickson, Inc.



THE delay in the purchase of adequate protection for your property is not even a temporary economy. Such delay frequently entails, in just one day or night, trouble and expense far greater than the cost of Cyclone Fence. For the best fence costs very little when you consider that the cost spreads over so many years.

Thoughtless or malicious damage done to property, the inefficient restraint of outsiders, the lack of facilities in protecting against tool and stock losses from within, are all costly elements that can be eliminated by the installation of dependable Cyclone Fence.

This superior barrier, in spite of its low cost, provides a permanent safeguard, and saves many dollars in operating expense. It will pay you to become familiar with its many advantages. Today, write for complete information. Address Dept. NB.

Cyclone Fence
REG. U.S. PAT. OFF.

Cyclone Fence Company

General Offices: Waukegan, Illinois
SUBSIDIARY OF UNITED STATES STEEL CORPORATION

BRANCHES IN PRINCIPAL CITIES

Pacific Coast Division:
Standard Fence Company
Oakland, Cal.

Cyclone—not a "type" of fence, but fence made exclusively by Cyclone Fence Company and identified by this trade-mark.

When writing please mention Nation's Business

NEW YORK LIFE
INSURANCE COMPANY
A MUTUAL COMPANY FOUNDED IN 1845
INCORPORATED UNDER THE LAWS OF THE STATE OF NEW YORK

89TH ANNUAL STATEMENT, DECEMBER 31, 1933

To the Policy-holders and the Public:—

The service of a life insurance company is measured, largely, by its returns to policy-holders and beneficiaries. By this standard the New York Life accomplished more in 1933 than in any other year since it began business in 1845.

In this year of stress, in addition to making many policy loans, the Company paid the enormous sum of **$255,977,483** to policy-holders, beneficiaries, and annuitants.

It closed the year with Assets amounting to **$2,010,943,112,** the largest in its history, valued as prescribed by the National Convention of Insurance Commissioners. The Company's total Liabilities were **$1,896,651,321.**

Its surplus funds reserved for general contingencies amounted to **$114,291,791.**

In the interest of conservatism, the Company voluntarily set up in its liabilities two special contingency reserves as follows: **$21,014,507,** which is the difference between December 31, 1933 market quotations and the values carried in Assets of stocks, and of bonds in default, bonds of companies in receivership, and bonds which for any reason are not carried in Assets at amortized value; and **$7,500,000** for deferred mortgage interest collections, which are larger than normal due to the general economic situation.

The Company also set aside a reserve of **$48,038,244** for apportionment of dividends during 1934, a sum sufficient to provide the same regular annual dividend on each individual policy as was paid in 1933, except on term insurance policies.

Of special interest was the increased demand for annuities. Many men and women, desiring to secure a fixed income for life and relief from investment worries, placed their capital in annuities providing a guaranteed life income. The total so invested was **$20,662,386,** a larger amount than in any other single year.

The total insurance in force represented by **2,672,876** policies was **$6,869,268,269.** The total new paid for insurance was **$378,669,800.**

The following table shows the diversification of the Company's Assets as reported to the Insurance Department of the State of New York and valued as stated above:

		Per Cent
Cash on Hand or in Bank	$30,943,412.43	1.54
United States Gov't. Bonds	98,164,386.21	4.88
State, County, Municipal Bonds	154,913,244.26	7.70
Public Utility Bonds	154,483,453.00	7.68
Industrial and Other Bonds	18,598,126.14	.93
Railroad Bonds	360,293,658.42	17.92
Canadian Bonds	39,957,188.69	1.99
Foreign Bonds	2,064,448.32	.10
Preferred and Guaranteed Stocks	67,923,705.64	3.38
Real Estate (*Including Home Office*)	72,477,359.29	3.60
First Mortgages, City Properties	495,297,998.40	24.63
First Mortgages, Farms	17,353,431.95	.86
Policy Loans	413,873,648.41	20.58
Interest & Rents Due & Accrued	41,269,429.08	2.05
Other Assets	43,329,621.78	2.16
TOTAL ASSETS	$2,010,943,112.02	100%

Further information about the Company will be furnished upon request to its Home Office at 51 Madison Avenue, New York, or to any of its Branch Offices throughout the United States and Canada.

Thomas A. Buckner
President

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REASONS FOR *Women*



● Retailers who sell to women place more of their advertising in the Tribune than in any other Chicago newspaper solely because they get better results. Loop (downtown) department stores, for instance, spent $65,000 more in the Tribune in 1933 than in 1932. They spent $830,000 more in the Tribune in 1933 than in any other Chicago newspaper.

Expenditures such as these are based upon results—immediate, traceable, conclusive. They are evidence that more women read the Tribune than any other Chicago newspaper. If your advertising must get the attention and response of women, the Chicago Tribune is your logical medium. A representative will be glad to give you the complete facts.

Chicago Tribune
THE WORLD'S GREATEST NEWSPAPER

● $830,000 MORE. Chicago Loop (downtown) department stores spent $830,000 more in the Tribune in 1933 than in any other Chicago newspaper—because the Tribune produces better results.





● LEAD MAINTAINED. Department stores (Loop and outlying) during the first two months of 1934 placed 67,436 more lines of advertising in the Tribune than in any other Chicago newspaper.

● UPSTAIRS DEPARTMENTS of Loop (downtown) department stores during January and February of this year placed 209,617 *more* lines of advertising in the Tribune than in any other Chicago newspaper.

SO THAT YOU MAY KNOW



Henceforth

when you are buying wines and liquors look for this

Mark of Merit

on the neck of the bottle. It is the Guarantee of

The house of

Schenley



THE SCHENLEY MARK OF MERIT...YOUR UNFAILING GUIDE

This advertisement is not intended to offer alcoholic beverages for sale in any state wherein the sale or use thereof is unlawful



THE HEIGHT OF GOOD TASTE

and in Cigarettes too — Taste is Everything

ALWAYS *the Finest Tobacco and* ONLY *the Center Leaves*